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NEWS SUMMARY

GENERAL

Doctors warned on embryo tests

Doctors have been advised by the British Medical Association not to cooperate with test tube baby pioneer Dr Robert Edwards in experiments with human embryos.

The BMA wants the ethical problems concerning these experiments resolved, although it said it was happy with test tube baby procedures.

Dr Edwards insisted his work was ethically acceptable but the BMA said it was up to government working parties to weigh the advantages against the risks of genetic engineering.

Troops move in

French and Italian troops moved into Palestinian refugee camps in south-east Beirut as Israeli forces withdrew from much of the Moslem part of the city. Page 3

U.S. ban defied

West German industry plans to defy the U.S. ban on equipment for the Siberian gas pipeline by shipping compressor stations this week. Gas supply security, Back Page

Escaper weds

Broadmoor escaper Alan Reeve, arrested after a gun battle in Amsterdam in which a policeman was killed, married Patricia Ford in Utrecht.

Spy scare

Six Soviet trucks started a spy scare in Sweden when they were seen near troop manoeuvres. Police found the trucks empty except for powerful radio equipment, said Swedish newspapers.

Appeal rejected

Colonel "Mad Mike" Hoare and five other mercenaries, jailed in South Africa after hijacking a jet after an abortive coup in the Seychelles, had a petition to appeal against conviction and sentence rejected.

Vatican move

Archbishop Paul Marcinkus, Vatican finance chief and a key figure in the Banco Ambrosiano affair, has been replaced as co-ordinator for the forthcoming Papal visit to Spain. Page 2

Blast kills soldier

Corporal Leon Anthony Bush, 22, from Nottingham, was killed in a booby trap bomb blast in Belfast. The Irish National Liberation Army claimed responsibility.

Plague deaths fall

Cases of bubonic plague fell to an all-time low last year with 24 deaths, said the World Health Organisation. In 1980, the disease killed 56.

Gales strike

Freak gales, with gusts up to 75 mph, caused damage from the West Country to Scotland. In Conwy, North Wales, winds wrecked 30 caravans. Weather, Back Page

Jailing probe

Birmingham Social Services are to probe why widower Leonard Gurney, 75, was jailed for a rites debt. The man was freed after a charity paid the bill.

Briefly...

Special centre for the unemployed opened in Nottingham.
Imprisoned Soviet dissident Anatoly Sheharansky started a hunger strike in protest at confiscation of his mail.
Youths rioted in Basque towns after a suspected guerrilla was killed in a gun battle, said Spanish police.
Death toll in Guatemala flooding rose to 615.

BUSINESS

Gold falls \$11.7 in U.S.; gilts rise

GOLD fell \$15.5 to \$412.5 in London. In New York, the Comex September close was \$404.5 (416.5). Page 31

DOLLAR rose to record levels, with demand reflecting political uncertainties in West Germany. It reached DM 2.536 (DM 2.5145), SwFr 2.1765 (SwFr 2.1645), both the highest since August last year, FFf 7.1695 (FFf 7.095), a record, and Y269.075 (Y266.35), a five-year high. Its trade weighted index was 123.5 (123.1). Page 34

STERLING fell 1.65 cents to \$1.6975. It rose to DM 4.305 (DM 4.235) and SwFr 12.17 (SwFr 12.1175) but eased to SwFr 3.6925 (SwFr 3.695). Its trade weighted index was 91.9 (91.8). Page 34

GILTS resumed their advance. The Government Securities index added 0.32 to 78.12. Page 33

EQUITIES recovered from a cautious start. The FT 30-share index lost 1.1 to 580.5. Page 33

WALL STREET was down 3.77 to 915.75 near the close. Page 32

ECC ANNUAL INFLATION rate fell to 10.7 per cent last month, against 11 per cent in July, the lowest for three years.

YUGOSLAVIA has asked leading Western central banks for a \$500m (€294.55m) credit to be provided through the Bank for International Settlements. Back Page

TEXTILE import negotiations between the EEC and its main Third World suppliers are on the verge of collapse. Page 5

BRITISH AIRWAYS is to take a \$70m provision in its 1981-82 accounts for redundancies in the current financial year, Sir John King, part-time chairman, said. Page 6

JAPAN will increase its investment in oil exploration in China's Bohai Gulf by \$400m (€235.64m), Japanese Premier Zenko Suzuki said in Peking. Page 3

BURNETT and Hallamshire said it had proved the existence of at least 100m tonnes of lignite at Crumlin, on the east shores of Lough Neagh, Northern Ireland. Back Page

LIFE OFFICES Association and the Associated Scottish Life Offices are about to abandon their commissions agreement.

VOLKSWAGEN is expected to sign in Madrid this week a deal by which Seat, the Spanish group, will make 100,000 Dertuy/Polo and Passat models a year. Volkswagen of America chief executive resigns. Back Page

UNION EXPLOSIVOS Rio Tinto, largest stock market-listed company in Spain, is seeking extension of its debt repayment periods. Page 23

FOSECO MINSEP, specialised products and technical services group, reported pre-tax profits down from £11.59m to £9.32m for the six months to June 30. Page 24; Lex, Back Page

Conference endorses Foot plan to expel Militant Tendency

LABOUR PARTY leaders were claiming last night to have won sufficiently strong backing from the annual conference in Blackpool to rid the party of the leaders of the Trotskyite Militant Tendency.

This follows the conference decision by a majority of three to one to establish a register of approved political groups which would exclude Militant.

The leaders of Militant immediately said they would launch a campaign among constituency delegates and trade unions to reverse the decision. They would not change their operations or leave the Labour Party.

There is therefore the certainty of bitter disputes during the coming months about the expulsion and, in particular, about the eight parliamentary candidates who support Militant.

Signs last night were that while the leaders of the far left would protest against the conference decision, they would not concentrate their efforts on a specific campaign on behalf of Militant.

The precise way in which the decision will be implemented was left unclear in yesterday's debate. Action will be concentrated on the inner organising group of Militant rather than its supporters generally, but it is still uncertain whether this will cover all its paid organisers or parliamentary candidates, as the leaders of Labour's Solidarity Campaign believe was implied by the vote.

Implementation will be determined by the new Labour Executive Committee whose election will be announced this morning. The signs are that there will be little overall shift in the political balance which narrowly favours Mr Michael Foot, Labour leader, and his supporters. There may be some changes which partially cancel each other out.

The key vote on Militant in favour of the national executive's proposal to establish a register was carried by 517m to 156m. On other related votes the opponents had a maximum vote of 1.85m.

The total votes against the leadership were somewhat higher than expected yesterday morning as a result of the opposition of Nupe, which joined Sogat 1982, Ucart and the Tass section of the engineers.

It was clear from the vote and the debate that many if not the majority of constituency representatives were against the proposals. They gave a mixed reception to Mr Foot.

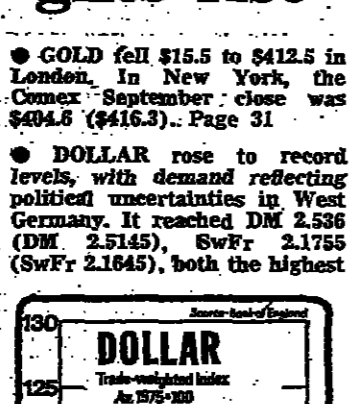
This reflects the major shift to the left within constituencies in the last few years. It is far more significant for the balance of the party than the Militant controversy.

The debate was charged with references to McCarthyite witch hunts and getting rid of aliens.

Mr Mortimer, in a highly effective first speech as general secretary, stressed that the action was because Militant had breached the rules of the Labour constitution. It was not on ideological grounds.

Similarly Mr Foot, in a brief winding-up speech, stressed that the argument was not about suppressing ideas but how to ensure that Labour prevented sectarian fragmentation and preserved its constitution. He

Continued on Back Page
Conference reports, Page 10; health dispute to widen, Back Page



since August last year, FFf 7.1695 (FFf 7.095), a record, and Y269.075 (Y266.35), a five-year high. Its trade weighted index was 123.5 (123.1). Page 34

At the same time, Algeria has agreed to place contracts with Italian companies, the value of which are undisclosed. This element of the transaction means that some L1.5 trillion (£260m) worth of trade contracts held in abeyance for the 18 months of negotiations on the gas price, now will be unblockable.

The pipeline, completed two years ago, will go on stream in November.

After three days of intensive negotiations in Rome the Italian and Algerian Govern-

ments reached a price formula which will entail a government subsidy to Snam, the gas subsidiary of ENI, the state energy company.

But the agreement is better for Italy than the original Algerian demand after it unilaterally renounced a 1977 agreement on the pipeline.

Under the agreement Italy will pay an initial price of \$4.41 (£3.99) per million British thermal units (BTU) of gas at July 1, 1982 prices. The price is indexed to a basket of crude oil prices and the agreement, though covering the supply of gas for 25 years, will be reviewed every three years.

The Italian Government, which last April took over negotiations from Snam, will pay Snam the difference between

the price paid to Algeria and the price which Snam believes it is economic to charge for the gas. The gas will initially be used in Sicily and on the Southern Italian mainland. The latter price will be based on the cost of competing fuels.

The price of \$4.41 per million BTU at the Algerian-Tunisian border on July 1 1982 is close to that of \$4.44 agreed recently by the Belgian concern Distrigas after Algeria asked for an increase. It is, however, less than the \$5.12 per million BTU which France agreed earlier this year to pay Algeria in a deal much criticised in France.

In that case, however, the gas was liquefied, involving

Continued on Back Page
Probe into international gas supplies, Back Page

are to meet Mr John Bogardus, Alexander and Alexander's chairman, tonight. They are to meet at Howden's London headquarters to receive an explanation for the dismissal of Mr Posgate.

In other moves in London yesterday, Alexander and Alexander said it had taken steps to gain effective control of the share capital of Banque du Rhone et de la Tamise. It has been alleged in litigation in the UK that Mr Kenneth Grob, the former chairman of Howden, Mr Allan Page, Mr Ronald Conroy, Mr Jack Carpenter, and other executives of Howden, and Mr Posgate, were members of a syndicate which bought the controlling interest in the bank from Howden over the last three years.

It has been alleged that the shares were acquired with money from secretly controlled companies and that the five executives' participation in the purchase, as part of the syndicate, had not been disclosed to other Howden board members.

Alexander and Alexander has said it has received a pledge of a substantial percentage of the shares from the five former executives.

Details, Page 6

Conference endorses Foot plan to expel Militant Tendency

BY PETER RIDDELL AND JOHN LLOYD

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Italy and Algeria agree on price for natural gas

BY JAMES SUXTON IN ROME

THE ITALIAN Government yesterday signed an agreement with Algeria under which it will pay above the market price for natural gas to be delivered by the trans-Mediterranean pipeline.

At the same time, Algeria has agreed to place contracts with Italian companies, the value of which are undisclosed. This element of the transaction means that some L1.5 trillion (£260m) worth of trade contracts held in abeyance for the 18 months of negotiations on the gas price, now will be unblockable.

The pipeline, completed two years ago, will go on stream in November.

After three days of intensive negotiations in Rome the Italian and Algerian Govern-

Lloyd's 'names' threaten action

BY JOHN MOORE, CITY CORRESPONDENT

ALEXANDER & ALEXANDER Services of the U.S., the world's second largest insurance broker, faces a wave of legal action following its moves to recover \$55m (£32m) of allegedly misappropriated funds within its British subsidiary, Alexander Howden Group.

Hundreds of Lloyd's of London underwriting members, whose affairs are managed by Alexander Howden Group's underwriting agency company, contacted their lawyers yesterday in an effort to protect their financial interests.

They fear that funds owed to their underwriting syndicates, the units into which they are grouped by Howden for trading purposes, will not be paid to the syndicate from Howden's insurance companies.

Howden, acting as a broker, had arranged extensive reinsurance cover for the syndicate with its own insurance companies.

The two main syndicates under Howden's management—syndicate number 127 and a sister syndicate 126—are the largest Lloyd's syndicates, with a total of 3,800 members.

Now large numbers of the syndicate have alerted their lawyers seeking an assurance from Alexander and Alexander

that any reinsurance claims against the main Howden insurance company, Sphere Drake, will not be waived or compromised.

Alexander and Alexander has been given until midday today in London to provide satisfactory assurances. The members intend to apply to the courts for an injunction unless assurances are received.

The developments yesterday follow fears that Alexander and Alexander had asked Mr Ian Posgate, the group's star underwriter who was sacked last week, to waive claims to \$20m of reinsurance funds established for the syndicate by Howden with Sphere Drake.

Sphere Drake has a deficiency of up to \$25m and the members are concerned that funds which are owed to the syndicate might be used to contain the deficiency.

The roll over funds were established out of syndicate funds to smooth out the effects of bad underwriting years in the syndicate, by using cash, if necessary, from the funds when heavy insurance claims arose.

About 100 representatives from underwriting agencies, who have introduced members of Lloyd's to Howden syndicates,

\$ hits new high on money markets

By Our Foreign and Financial Staff

THE BANK OF ENGLAND cut its money market intervention rates for the first time in a month yesterday prompting renewed hopes of a cut in bank base rates. The Bank acted as the U.S. dollar soared to new peaks on the world's foreign exchange markets, spurred on by uncertainties over the political problems in West Germany and over the future of Hong Kong.

Sharp falls in shares on the Frankfurt and Hong Kong stock markets were mirrored by a significant weakening in rates on the foreign exchange markets. The D-Mark sank in London to close at its lowest level against the U.S. dollar for over a year at DM 2.536, the Hong Kong dollar reached a near record low of HK\$6.2 against the U.S. currency.

The dollar also strengthened significantly against the Japanese yen, reaching a new five-year peak of ¥269.075 in London against Friday's ¥266.35. It closed at a record FFf 7.1695 compared with FFf 7.095 against the French currency.

Aside from political uncertainties, which contributed to an inflow into dollars at the expense of other currencies, foreign exchange losses reported at the Singapore branch of a Japanese bank are also cited as a reason for the currency's weakness.

The Bank of England's decision to cut its money market intervention rates by 1 of a percentage point of the rate at which it carried out its repurchase operations (which supply short-term funds) in the money markets yesterday, raised hopes that UK bank base rates will soon be cut by another half percentage point.

W. German share prices fall as opposition rallies

BY JAMES BUCHAN IN BONN AND STEWART FLEMING IN FRANKFURT

WEST GERMANY'S opposition parties yesterday put a brave face on the disastrous result for them of the state election in Hesse on Sunday and said they stood by their plan to try to unseat Chancellor Helmut Schmidt in the federal parliament on Friday.

Their optimism was not, however, reflected on the Frankfurt Stock Exchange, where one leading index suffered its heaviest one-day fall post-war.

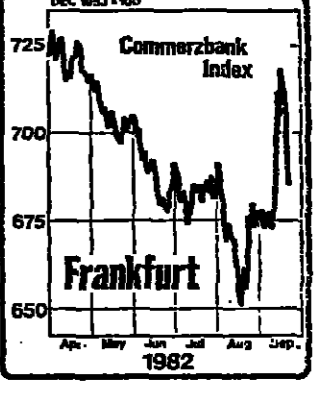
West German share prices tend not to be volatile although they had a recent fillip by the prospect of the conservative parties taking power.

Yesterday, however, even blue chip issues were hit. Stocks such as Daimler Benz and Siemens both lost more than DM 10 (€5.97). Deutsche Bank lost 10, and Preussag DM 6.9.

The Commerzbank index, one of the most widely-followed of the indices in Germany, slumped 25.3 points, to 684.9 from 710.10. The previous biggest one-day decline in the index occurred in February, 1973, when it fell 22 points.

Bond market prices also fell, with the average yield on Government issues rising to 8.57 per cent from 8.49 per cent. The D-mark came under pressure against the dollar, closing in Frankfurt at 2.5320.

Traders said that the main reason for the nervousness on the financial markets was the astonishing and, for them, worrying outcome of the Hesse election. "Investors are scared that a general election could lead to a hung (federal) Parliament and the Green (party) holding the balance," one trader at a leading bank remarked.



The opposition Christian Democrats—whose leader, Dr Helmut Kohl, hopes to become Chancellor—said yesterday that their plan was still to call a vote of no-confidence in Herr Schmidt on Friday in the federal parliament and to hold a general election on March 6.

This was despite the Christian Democrats' failure to gain an absolute majority in Hesse and the inability of the centre Free Democrat Party, whose support would be needed for the no-confidence motion in Bonn, to win any seats in the Hesse State legislature.

Herr Hans Dietrich Genscher, the Free Democrat leader, also declared last night that the motion would go ahead.

The Free Democrats would have to deliver at least 23 of their 53 votes in support of the no-confidence motion for it to succeed in the federal parliament. But the party has been sharply divided over the course

Continued on Back Page

French confident on franc

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government yesterday ruled out any strengthening of exchange controls in support of the franc.

The announcement by the Ministry of Finance was seen by foreign exchange dealers as reflecting the Government's increased confidence that it could defend the currency in the face of the weakening of the D-mark after the Hesse elections.

Last Friday an early announcement had been expected of measures that would have accelerated foreign currency payments of exports and slowed down import payments.

Officials said yesterday that there were no plans to force exporters to invoice in foreign exchange—a move which would

add to foreign currency inflows because exporters are required to convert their foreign exchange proceeds within 14 days of shipment.

They also ruled out the other expected change in the exchange control system under which importers would have been required to borrow their foreign currency requirements.

Officials added that the Government had no plans for a two-tier exchange system involving a commercial and a financial franc or an import deposit scheme. Both measures are believed to have been under study in recent weeks.

French cabinet set to complete review, Page 2

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The great advantage though of the S6000 is that it's a modular system, so it can grow as your business grows.

The message won't be out of date in six months time. And each time an extra workstation is installed, the S6000 won't lose its speed and efficiency.

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(Prices in pence unless otherwise indicated)

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Aitken Hume	569 + 7
Beecham	345 + 6
Bilton (P.)	190 + 6
Bridon	40 + 4
Cable & Wireless	335 + 7
Glaxo	815 + 6
Link House	270 + 8
Gregham Invests.	112 + 7
Standard Chartered	370 + 37
Thorn EM	380 + 10
De Beers Defd.	282 - 16
East Rand Prop.	380 - 15
Gold Mines Kal.	793 - 56
Hartebeest	5304 - 11
Mariale	188 - 14
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EUROPEAN NEWS

French Cabinet set to complete social security review

BY DAVID HOUSEGO IN PARIS

THE PAINFUL review of social security expenditure that has been taking place in France comes to a head tomorrow at the weekly Cabinet meeting...

James Buchan, in Bonn, assesses the dizzying implications for federal politics of the Hesse poll result Dejected Genscher faces revolt from the party left

"TREACHERY does not pay" was the banner headline in a West German regional newspaper yesterday as the country woke to the defeat suffered by Herr Hans Dietrich Genscher's Free Democrat Party (FDP) in the Hesse state election on Sunday...

Yet the will of the 4m Hessians was never a foregone conclusion. Nobody expected either that the SPD, for whom the direct predictions had been made, would slip only half a point...

hints, not least from Herr Strauss, that the Liberals can be dispensed with. Herr Genscher also faces little short of a revolt from the Left of his party who remain loyal to the old order...



Hans-Dietrich Genscher: the look of defeat

Community regional aid for job creation falls

BY JOHN WYLES IN BRUSSELS

THE PROPORTION of the European Community's regional aid devoted to job-creating investment in industry and services slumped to 12 per cent of the total last year under the impact of growing economic recession...

Inflation rate in EEC falls to 10.7%

THE ANNUAL inflation rate in the European Community was 10.7 per cent in August, down from 11 per cent in July and the lowest for three years...

UK launches 'hearts and minds' campaign in EEC

BY JOHN WYLES IN BRUSSELS



Foreign Secretary Francis Pym and his Minister of State Douglas Hurd (right) replace budget-table thumping with soft words.

MR FRANCIS PYM is said to have been an exhausted and very disillusioned British Foreign Secretary when, in the early hours of 1982, he accepted another short-term deal limiting Britain's payments to the EEC budget...

one ambassador. Scrutiny of the message reveals that the British Government has made a slight change in policy which may be symbolically important and tactically vital...

Luxembourg announces £320m steel investment

LUXEMBOURG — The Luxembourg Government, trade unions and Arbed, the country's largest steel corporation, have agreed on a steel industry modernisation plan requiring major public subsidies...

Italian output up

Italian industrial output, seasonally adjusted, rose a provisional 3 per cent in July after a 4.2 per cent June decline...

Washington visit

Sig Spadolini, the Italian Prime Minister, will pay an official visit to Washington on November 3 and 4...

Trade deficit widens

Spain's foreign trade deficit widened to Pta 607,920m (£2.7bn) in the first six months of this year...

Greece criticised

The Soviet Communist Party newspaper Pravda yesterday criticised Greece for participating in Nato exercises in the eastern Mediterranean...

Moscow hunger strike

Amatoly Shecharansky, the imprisoned Jewish activist, began an indefinite hunger strike on Sunday...

Papal visit planned without Marcinkus

ARCHBISHOP Paul Marcinkus, the controversial Vatican finance chief and a key figure in the Banco Ambrosiano affair, will not be organising the forthcoming trip to Spain by Pope John Paul II...

Norwegian plans to ease power prices

BY FAY GJETER IN OSLO

GOVERNMENT proposals to ease electricity price and supply conditions for Norway's power-intensive industries will be announced soon—possibly this week...

Portugal to go ahead with investment laws

BY DIAM SMITH IN LISBON

The promulgation of the revised Portuguese constitution last weekend by President Antonio Ramalho Eanes means the Government can press ahead with legislation to allow private investment in State industries...

Papal visit planned without Marcinkus

BY OUR ROME CORRESPONDENT

However, the development is almost certainly linked to Mgr Marcinkus's much publicised involvement with Banco Ambrosiano...

Politicians divided over cure for ailing Dutch economy

BY WALTER ELLIS IN AMSTERDAM

THE NETHERLANDS main political parties, it is said, are not divided on their diagnosis of the Dutch economic malaise: but by what action to take...

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BY DIAM SMITH IN LISBON

The promulgation of the revised Portuguese constitution last weekend by President Antonio Ramalho Eanes means the Government can press ahead with legislation to allow private investment in State industries...

Handwritten note in a box: كذا في الجريدة

Share price fall marks Thatcher's Hong Kong visit

BY ROBERT COTTRELL IN HONG KONG

A SLUMP in the Hong Kong stock market and Hong Kong dollar marked Mrs Margaret Thatcher's first day of public engagements in the British territory yesterday. Share values plunged 8 per cent as the stock market's Hang Seng index lost almost 84 points to close the day at 1,012.62. The Hong Kong dollar lost 58 cents to close the day in Hong Kong at HK\$6.193 against the U.S. currency, a new all-time low since the currency was floated independently in 1974. The closing rate in London was HK\$6.20.

Brokers attributed the stock market's fall directly to fears over Hong Kong's long-term future. The weakening of the currency also reflected a general strengthening of the U.S. dollar worldwide.

The British Prime Minister arrived in Hong Kong on Sunday from Peking where she met China's leaders for talks on the territory's status. Britain's lease on the New Territories—containing 97 per cent of Hong Kong's area—expires in 1997. Nervousness among local investors has increased markedly through the summer.

Mrs Thatcher offered no significant amplification yesterday on the nature of the Peking talks. She repeated the joint statements issued last Friday which pledged Britain and China to preserve Hong Kong's stability and prosperity. She continued to emphasise the importance which Britain places on the 19th-century treaties by which it acquired its colony.

Two of the three treaties, relating to Hong Kong Island and the tip of Kowloon, ceded sovereignty to Britain in perpetuity. Only the new territories is on a finite lease.

China has expressed its determination to reassert sovereignty over the whole of Hong Kong. Mrs Thatcher said yesterday that all the treaties relating to Hong Kong were valid at a point which China does not accept—and that they should only be varied by agreement between all parties.

To that end, negotiations on Hong Kong's future are now to be conducted through diplomatic channels, and Mrs Thatcher said yesterday that she was confident a solution



Mrs Margaret Thatcher talks to sailors during a visit to the British forces headquarters in Hong Kong

would be reached which was acceptable to China, Hong Kong and Britain. "So far," she summarised, "So good."

Mrs Thatcher fended off requests for indications of how Hong Kong's future might be resolved, saying she was "not going to prejudge in any way" the talks which are to take place.

Her meetings with Chinese leaders, she said, had been "brief" and she again stressed the need for the confidentiality which she believed had to attend the talks to come. She also cautioned that the talks would take "some time," but

added that some public statements of position may emerge. She shrugged off the performance of the stock and foreign exchange markets, saying that "fluctuations" were to be expected in a sensitive place like Hong Kong, and that not too much should be made of a single day's trading.

Some brokers, however, were gloomy. "The foreign exchange market, the stock market and the financial community have given the thumbs down," said Mr Barry Yates, a director of stockbrokers Hoare Govett (Far East).

"If uncertainty feeds on itself, it could run into a crisis

of confidence... if there is a crisis of confidence, what essentially is the government going to do at this stage in the game to stem it? I'm not saying there will be panic in the streets, but people are going to vote with their hands in their pockets."

Some business leaders in Hong Kong have expressed approval of Mrs Thatcher's firm stand on the treaties as a reflection of Britain's commitment to Hong Kong.

But the concern shown in the financial markets yesterday reflects the deflation of expectations, built up before Mrs Thatcher's visit, of a more decisive outcome to the talks.

Peace-keeping troops take up positions inside Beirut camps

BY NORA BOUSTANY IN BEIRUT

FRENCH and Italian marines and paratroopers took up positions yesterday inside Palestinian refugee camps on the south-eastern edge of Beirut as Israelis withdrew from most of mainly Moslem West Beirut.

French soldiers and Lebanese army engineers searched for mines at the Chatila camp, scene of the massacre of several hundred refugees 10 days ago. Bulldozers are still digging for corpses believed to be buried under the rubble.

There is confusion over the timing of the arrival of a contingent of U.S. marines at Beirut port. They are waiting offshore for the Israelis to evacuate all of West Beirut, including the international airport and harbour, where Israelis have maintained a limited military presence.

The deployment plan of the 3,500-strong multinational force calls for the stationing of French troops south of the refugee camp of Sabra as well as inside its remains.

Italian troops are scheduled to take up positions inside the neighbouring Chatila camp and north of Beirut international airport.

The U.S. marines, due to land sometime between Wednesday and Friday, have been assigned positions at the airport. While statements from Washington speak of a full Israeli withdrawal from West Beirut, includ-

Palestinian leader Yassir Arafat has blamed the U.S. for the Beirut massacre of Palestinian civilians but said he was prepared to open any dialogue with the U.S. provided no conditions were attached. Reuter reports from New York.

In an interview relayed from Saudi Arabia for broadcast on U.S. television, Mr Arafat, chairman of the Palestine Liberation Organisation, blamed the U.S., a three-nation multinational peace force and the Lebanese army for the Beirut massacre.

Meanwhile, Mr Philip Habib, the U.S. special envoy, has returned to the Middle East to negotiate the withdrawal of Syrian as well as Israeli troops from Lebanon.

President Amin Gemayel has told ABC, the U.S. television network, that he wants the Lebanese army to be fully in control of Beirut which must no longer be divided between east and west.

Reuter adds: In Paris, the External Relations Ministry yesterday said France's contingent in the multinational force would soon be increased to 1,600 men.

An official said about 480 French soldiers would be sent to Beirut from the UN interim force in southern Lebanon. Israel yesterday observed its most holy day of atonement, Yom Kippur, in a mood of unprecedented doubt and controversy over the massacre of Palestinian refugees in Beirut.

At least five members of Prime Minister Menachem Begin's cabinet believed a judicial commission of inquiry with full statutory powers was the only way to answer mounting charges of a Watergate-style cover-up in the affair, officials said.

Despite his initial opposition to such an investigation, Mr Begin had not ruled out the idea and it would be debated at a special cabinet meeting in Jerusalem today they said.

China hints of more talks with Moscow

By Our Peking Correspondent

CHINA'S Premier yesterday hinted that Peking may increase its contacts with Moscow. But Mr Zhao Ziyang insisted in talks with Mr Zenko Suzuki, the Japanese Premier, that China's basic policy of opposition to the Soviet Union remained unchanged.

According to Japanese officials, Mr Zhao told Mr Suzuki, who is visiting China, that contact between Peking and Moscow was necessary to monitor more closely Soviet intentions. The Chinese Premier said the Soviet Union would be judged by deeds and not words.

This is a familiar line used by Chinese officials when asked about Sino-Soviet relations and refers to China's objections to the continuing Soviet presence in Afghanistan, Moscow's backing for the Vietnamese in Kampuchea and the large deployment of Soviet troops—said to be more than a million—on the Chinese border.

The Chinese leader reportedly told Mr Suzuki that any basic improvement in Sino-Soviet relations would take a long time. China hoped, he said, that the Soviet Union would cease its menacing behaviour.

In the past year, there have been a growing range of contacts between China and the Soviet Union from academic and sporting exchanges to semi-official meetings in both Peking and Moscow.

The frequency of these contacts has indicated Peking is prepared to sanction a slight thaw in its relationship with Moscow.

Western diplomats in Peking remain sceptical that much progress can be made towards the normalisation of Sino-Soviet relations as long as Soviet troops remain in Afghanistan and the Soviet Union maintains its support for Vietnam's occupation of Kampuchea.

Mr Zhao, in his talks with Mr Suzuki, reportedly criticised both the Soviet Union and the U.S. as "hegemonistic" powers. However, he said the Soviet Union was on the attack, while the U.S. was on the defensive.

Mr Zhao's remarks about Sino-Soviet relations coincide with reports in Peking that a Soviet delegation will visit China early next month for what are being described as preliminary talks aimed at restarting the process of normalisation.

Japan to increase offshore oil investment

By Tony Walker in Peking

JAPAN will increase its investment in oil exploration in China's Bohai Gulf by \$400m (£232.5m). Mr Zenko Suzuki, the Japanese Prime Minister, has said in Peking.

Mr Suzuki, who is on a six-day visit to China, told Mr Zhao Ziyang, the Chinese Premier, that Japan would add substantially to its \$200m investment in the Bohai exploration zone.

China and Japan concluded an agreement in 1980 to explore for oil in the Bohai Gulf in north-eastern Chinese waters. The two countries formed a joint venture exploration company to search for the oil.

The Foreign Ministers of Japan and China yesterday exchanged notes on the provision of a further about \$200m in Japanese "soft" loans to China.

This takes to more than \$900m the amount of money Japan has provided to China since 1979 under a loan package negotiated under the Ohira government.

The package was "modified" last year after China cancelled industrial projects in which Japanese companies were involved. The new loan agreement for about \$1.4bn was signed in December last year.

The package included ¥130bn (£228m) in commodity credits, about ¥100bn in suppliers' credits and ¥70bn from commercial banks for industrial projects including the Baochuan steelworks which had been curtailed in the Chinese readjustment of 1980.

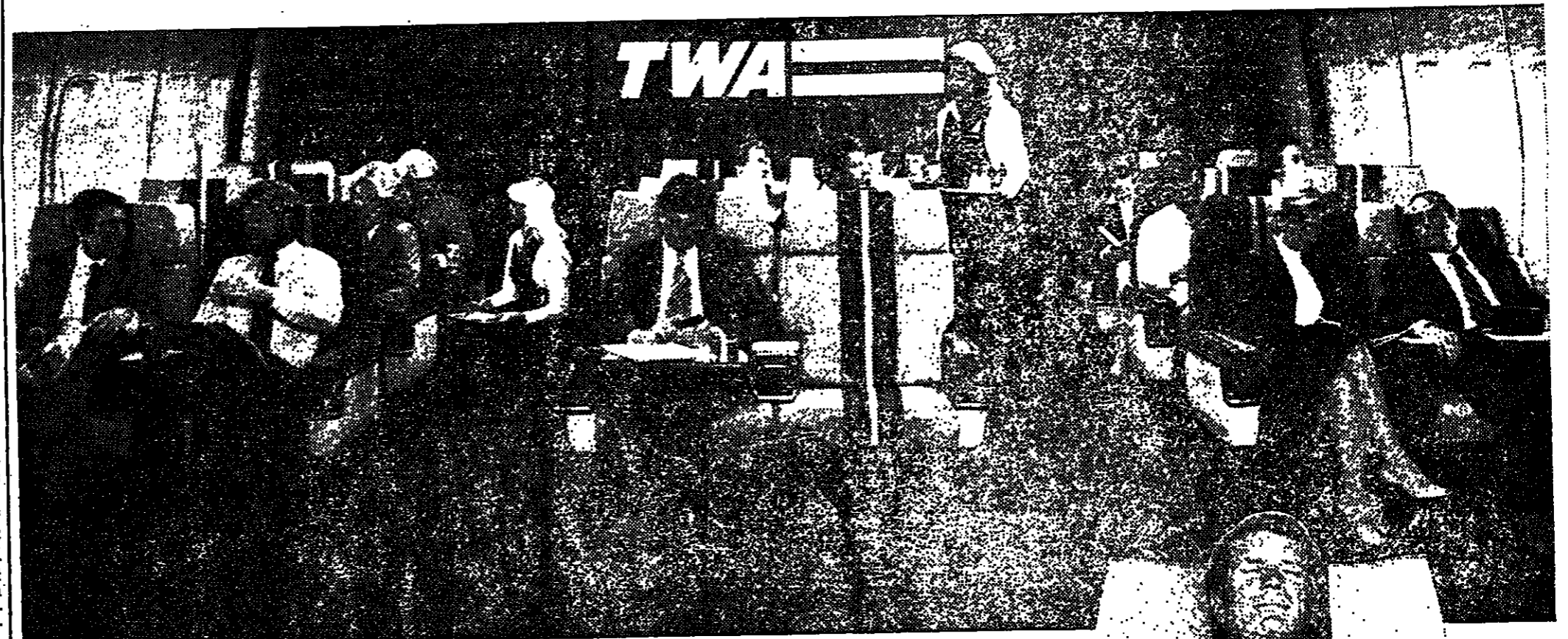
Originally Japan had offered about \$1.5bn for six infrastructure projects mostly in port and rail construction to help China overcome some of its worst transport bottlenecks.

Agreement on the latest instalment of the Japanese loan was signed in Peking by Mr Huang Hua, the Chinese Foreign Minister, and Mr Yoshio Sakusuchi, his Japanese counterpart.

China and Japan are exploring for oil over an area of more than 10,000 square kilometres in the southern and western sectors of the Bohai Gulf. In March last year, China reported that the Sino-Japanese joint venture company had discovered high-grade crude.

The discovery prompted speculation in Peking among Western oil industry representatives that China and Japan would be producing marketable quantities of oil from Bohai by the mid-1980s. It is estimated the field will cost some \$5bn to develop.

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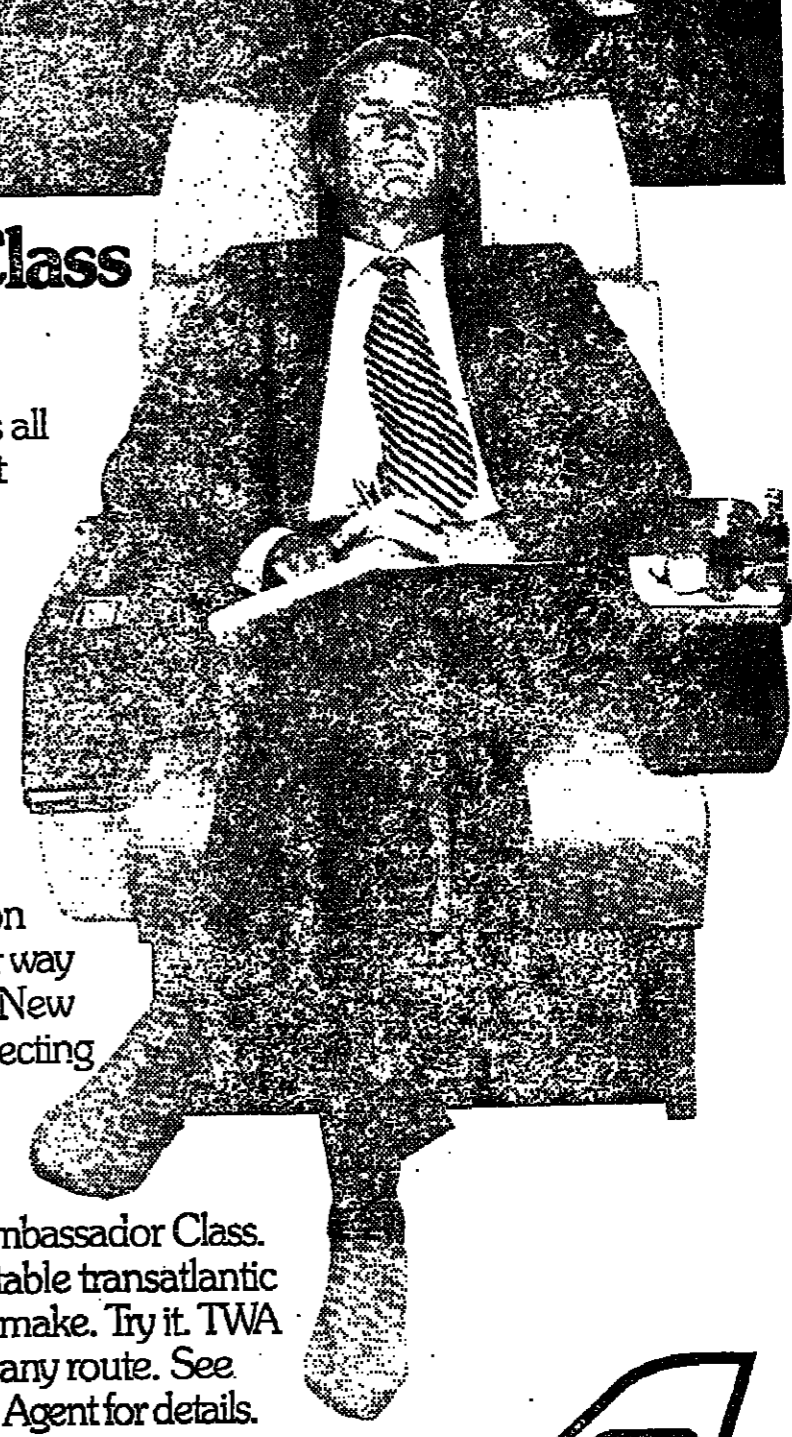
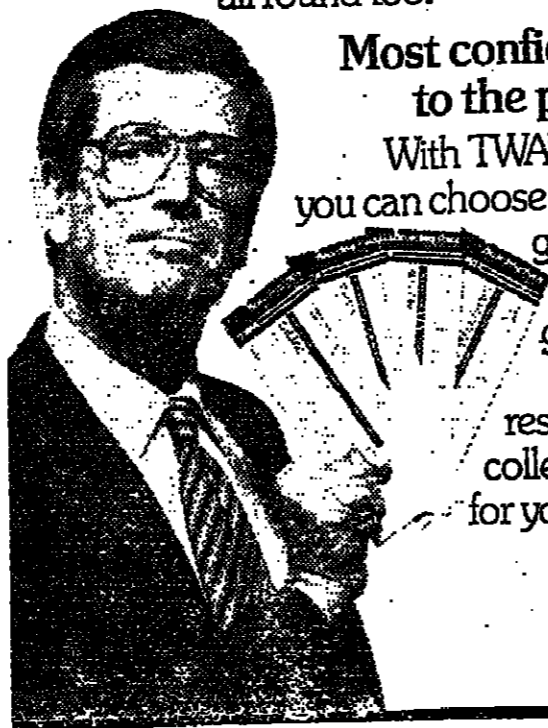
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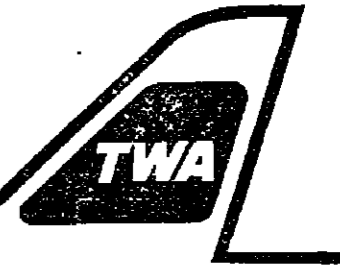
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Recession brings further falls in Australian output

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA'S deepening recession has entailed further sharp falls in factory output. Production of 21 out of 32 seasonally adjusted items fell in the three months to August, according to figures released yesterday by the Bureau of Statistics in Canberra.

Among the worst-hit industries was steel, which has seen widespread layoffs in recent months. Raw steel production in August was 561,000 tonnes, against 606,000 tonnes in July and 736,000 tonnes in August last year.

The slump in housebuilding was reflected in significant falls in production of bricks, cement and particle board. Consumer items such as refrigerators, washing machines and tele-

visions were also affected. One item which showed significant growth in output was beer, production of which rose by 23 per cent in the three months to August, to 546m litres.

Motor vehicle output rose by 7 per cent, and there were small gains in production of floor coverings, blankets and chocolate.

Australia's non-farm gross domestic product in the six months to March showed a fall of 0.8 per cent. In the June quarter there was a gain of 0.9 per cent, but the figure was plagued by discrepancies and is expected to be revised downwards when results for the September quarter are made known.

AMERICAN NEWS

Pym insists on need for east-west Europe links

BY DAVID TONGE IN NEW YORK

In a vigorous statement of British differences with the U.S. over Eastern Europe Mr Francis Pym, the British Foreign Secretary, yesterday insisted on the need for links between the two halves of Europe.

pull its weight in Nato. He pointed out that West Europeans provide about 90 per cent of the ground forces, 90 per cent of the armoured divisions, 75 per cent of the air forces and 75 per cent of the tanks."

Brazil sets up barter deal for Iranian oil

By Andrew Whitely in Rio de Janeiro

BRAZIL is to resume purchases of oil from Iran after a two-year interruption because of the U.S. hostage crisis and Iran's war with Iraq, Brazil's leading oil supplier.

Paul Betts reports on New York's Democrats' unexpected choice Political upset for Mayor Koch



Millionaire Lew Lehrman (left) is the Republican's candidate for Governor of New York State. Ed Koch (centre), New York City's "feisty" Mayor bows out to the surprise Democratic choice Mario Cuomo

THE POLITICAL battle to become the next Governor of the state of New York—a job once held by Mr Franklin Delano Roosevelt and a possible stepping stone to the White House—has lost an old favourite star and discovered a brand new one.

In a remarkable upset in the State's Primaries last week, Mr Ed Koch, the outspoken, highly popular, mayor of New York and the strong favourite to walk off with the Governor's crown in November, failed to win the Democratic Party nomination for governor.

Mr Koch, who surprisingly did not even do as well in the City of New York as he was supposed to according to all the polls, put on a brave face in defeat.

Mr Koch was regarded as so strong a contender for the governorship that one of the Republican forerunners, Mr Ed Regan, the State Comptroller, decided to drop out of the race and not seek his party's nomination.

The Governor) defeated the Mayor whose way with words, ebullient style, which New Yorkers call "feisty," and claims of restoring financial health to a New York city only recently on the brink of bankruptcy, appeared to make him a certainty for Governor.

Mr Koch, too, has from time to time applauded President Reagan and won both Democratic and Republican party endorsements in the last mayoral election.

Mr Koch started off his campaign on an unfortunate note which he never able completely to shake off. He gave a frank interview to Playboy magazine in which he described suburban living as "sterile" and rural life as a "joke."

To win the Governorship of the State of New York, a candidate cannot rely solely on New York City votes, however many there are. Outside New York City, Mr Koch was far from a certain winner, even among Democrats, many of whom do not share his views about suburbia and the country.

Mr Koch started off his political campaign 13 months ago as an unknown. Last week he won his party's nomination in a landslide victory against his rival, Mr Paul Curran, a former U.S. attorney who, as the campaign heated up, never really stood a chance.

Mr Koch could be a formidable political opponent for Mr Cuomo. Mr Lehrman's two major assets are that he is a fresh face in the altogether jaded New York Republican party and he is also very rich.

As a newcomer, Mr Lehrman can associate or disassociate himself with the Reagan Administration and its political campaign. His views on the major issues during the Primary campaign were the usual hot potch of rhetorical political banalities which most U.S. political candidates on either side of the fence utter on a campaign trail.

Too much personality, he eyes, could very well be Lehrman's undoing. He already being compared to Republican Mr Koch "feisty gutsy" and all those old popular New York epithets.

Mr Koch, though, lost out to a quieter, conventional and high respectable Mr Cuomo who incidentally, is the only gubernatorial candidate to oppose a death penalty in New York State. Mr Koch, like Mr Lehrman, favours introducing a death penalty in the State.

U.S. football strikers aim for better deal

By Paul Taylor in New York

ALL 12 PLANNED U.S. football matches were halted over the weekend by the U.S. National Football League players' wage strike.

The strike began a week ago and revolves around players' demands for a new wage scale and a fixed percentage of lucrative television contracts.

The strike has put 15,000 people out of work, including the 1,500 players for the 28 clubs, and it threatens severely to disrupt America's favourite winter pastime.

The impact of the strike is already being felt by hot-dog and souvenir vendors, millionaire club owners, restaurateurs and ticket sellers.

Mexico offers troubled companies more aid

BY WILLIAM CHISLETT IN MEXICO CITY

THE MEXICAN Government yesterday extended help to distressed private companies by making available more credit at preferential rates of interest.

The special fund for small- and medium-sized companies, to be used between now and the end of the year, has been increased from 30bn pesos to 50bn pesos (\$216.5m).

The finance ministry said the credit could be used to pay wages, buy raw materials and meet payments on working capital.

The Mexican private sector is undergoing a severe period of adjustment. The devaluation of the peso has pushed up the cost of its external debt of \$21bn and the economic standstill has dramatically reduced demand.

Price controls, however, are in force to prevent companies passing on their extra costs to the consumer. The annual inflation rate is already running at 90 per cent.

The government of President Jose Lopez Portillo, which leaves office in December, appears to be trying to win over some sections of the private sector with its credit fund and by lowering interest rates.

The Bank of Mexico has been bringing down interest rates by two percentage points a week for the past four weeks, despite the rising inflation rate.

Last week, the top 21 newly-nationalised banks sought an injunction against the government for taking over the private banking system on September 1.

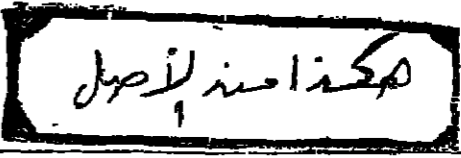


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WELL NEARLY



EEC textile talks with Third World close to collapse

BY LARRY KLINGER IN BRUSSELS

TEXTILE import negotiations between the EEC and its main Third World suppliers are on the verge of collapse. Second round crisis talks continued yesterday with Hong Kong, but officials held little hope for a breakthrough.

Negotiations with two of the other dominant suppliers—South Korea and Macao—were broken off at the weekend. These three countries, together with Taiwan, account for more than 40 per cent of the EEC's textile imports from the Third World.

The Community's ten member-states are demanding import quota cutbacks of up to 12 per cent and other still-resisting within the new 1982-85 Multi-Fibre Arrangement (MFA), the world pact governing textiles and clothing under the General Agreement on Tariffs and Trade (GATT).

The European Commission has concluded new deals with 17 of the EEC's 27 MFA suppliers, adding Egypt, Colombia and Yugoslavia to its list of firm agreements yesterday.

The Commission is to review the overall situation later this week with the aim of reporting to the member-states early in October. The EEC Council of Ministers will then have to decide whether there was room for another round of negotiations ahead of the Community's self-imposed year-end deadline for a decision on whether to withdraw from the MFA.

But, without firm agreements with the main suppliers and Asean states of Singapore, Malaysia, Indonesia and the Philippines, it is difficult to see how the Community could reverse its stand despite the prospect of protracted and bitter quarrels breaking out in the GATT.

If the Community makes good its threat to pull out of the MFA and apply quota cutbacks unilaterally, the Third World suppliers would be bound to fight the measures under GATT. These suppliers still reject as "totally unreasonable" EEC demands for quota cutbacks of between 10 and 12 per cent on the whole range of sensitive products—cotton yarn and cloth, synthetic fibre and cloth, trousers, T-shirts, blouses and skirts.

The Asean countries are particularly angered by EEC insistence on the so-called anti-surge clause, a new mechanism designed to prevent the flooding of the EEC market by the sudden taking-up of previously unfilled quotas.

ECGD to back £15m credit for S. Africa

THE EXPORT Credits

Guarantee Department has guaranteed a £15m line of credit for South Africa which will enable UK exporters of capital goods and services to be paid in full at the time of shipment.

The loan has been provided by Hill Samuel to the Electricity Supply Commission of South Africa. Exporters will receive 85 per cent of the value of eligible contracts direct from the loan. Fifteen per cent will be payable direct by the buyer before shipment.

To qualify under the line of credit a contract must have a minimum value of £50,000 and be placed by March, 1984.

A memorandum of understanding has been signed by Ithi Ossetmumba Lekoumzon, Minister of Finance, of the Congo and Dr Gerard Vaughan, the UK Minister for Consumer Affairs.

The Memorandum identifies areas in which British companies could co-operate, such as post and telecommunications, electricity generation and distribution, water supply, construction and public works, and transport.

The British Overseas Trade Board will send a team of business advisers to the Congo in October.

Rees starts talks with Moscow

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

MR PETER REES, British Minister for Trade, yesterday started talks in Kishinev, Moldavia, where the British-Soviet Joint Commission is holding its annual meeting. The talks aim to foster economic and industrial co-operation between the two sides, especially in the priority areas of the current Soviet Five Year Plan.

The Soviet side is led by Mr Yuri Brezhnev, First Deputy Minister of Foreign Trade. Discussions at ministerial level, against the background of the dispute between the U.S. and Western Europe over the construction of the Siberia-West Europe pipeline, underline British concern to be seen as a

reliable trading partner of the Soviet Union.

Sir John Mayhew-Sanders, chairman of John Brown, the British turbine manufacturer in the middle of the dispute with the U.S. about the Reagan Administration's pipeline embargo, is a member of Mr Rees' delegation.

On the British side, however, there is no desire to see the Soviet Union using the fact of the talks as a means of obtaining political advantage.

But the existence of an active Commission is seen as a necessary umbrella for the winning of contracts by British companies in the Soviet Union.

In the broad stream of British trade, the Soviet market is useful but not vital. Sales to the Soviet Union, which came to £158m in the first half of this year, constitute under 1 per cent of UK exports.

At the talks, Mr Rees, with representatives not only of John Brown but also of Meral Box, Morgan Grenfell, Rolls-Royce and GEC, will be looking at the possibility of future British work in the development of the Soviet energy and agriculture sectors.

Western strategic controls, and the talks taking place to revise the list of controlled products, make the exploration

U.S. to sell S. Korea £348m farm goods

SEOUL — The U.S. has agreed to sell South Korea \$600m (£348m) worth of farm products on credit during fiscal 1983, the South Korean Ministry of Agriculture and Fisheries said yesterday.

The accord was reached at a three-day meeting that ended in Seoul on Saturday, attended by U.S. and Korean officials.

The credit is for \$300m-worth of raw cotton, \$150m-worth of wheat, \$50m-worth of feed grain, \$50m-worth of soy beans, \$50m-worth of alfalfa, and \$50m-worth of items yet to be determined.

The total amount is smaller than the \$690m for fiscal 1982. The decrease has resulted from lower Korean demands for U.S. credit, which carries an interest rate higher than the current domestic bank rate of 10 per cent, the officials added.

The short-term credit is repayable over 30 months for raw cotton and one year for the other farm products.

The U.S. delegation wanted to include rice in the package, but Seoul declined because of an expected bumper crop this year. AP-DJ.

India and Soviet Union to boost trade ties

BY K. K. SHARMA IN NEW DELHI

SUBSTANTIAL increases in Indo-Soviet economic collaboration resulting in further trade between the two countries are the main outcome of the week's visit to the Soviet Union by Mrs Indira Gandhi, Prime Minister of India.

The Soviet Union is already India's largest single trading partner and the two countries expect to double the two-way turnover by 1985, mainly because of increased Soviet assistance for industrial projects in India.

The main projects identified are steel plants, a 600,000-tonne

alumina plant, a 1,000 MW nuclear power station, thermal stations and machine building units.

Detailed discussions on the projects are now to be held and it is expected that agreements will be signed by the end of this year.

The steel plants to be assisted by the Russians are at Bhilai in Madhya Pradesh, Bokaro in Bihar and Vishakhapatnam in Andhra where earlier stages are already being put up with Soviet help.

In addition, the Russians have offered to build a steel plant in Orissa state, the letter of intent for which, given to Britain's Dary McKee, was revoked by the Indian Steel Ministry last May. If all the projects go through, Russia will be helping India add about 5m tonnes of steel-making capacity in the next 5-8 years.

Taken with the major Rs 5bn (£303m) deal for import of 500m metres of cloth a year by Russia from India, which is expected to be finalized by December, the Soviet Union's economic links with India will be significantly strengthened.

Since Russia is the main sup-

Volume of UK clothing imports drops by 3%

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

THE VOLUME of clothing and other textiles entering Britain during the second quarter of this year dropped by 3 per cent compared with the first three months.

According to the British Textile Confederation, imports were running at a high level in January, February and March, and the drop in the following three months has to be seen against the background of stagnating demand in the UK for textile products.

In the first half of 1982, imports as a whole were 8 per cent up on the same period of 1981 and, although the other nine member-countries of the EEC continue to be Britain's major suppliers, accounting for half total imports, the big growth between the two half-years has come from the low-cost countries.

The Mediterranean countries pushed up their supplies to the UK by 46 per cent in the first half of this year, compared with the same period of 1981, while goods coming from the Lomé Convention countries went up by 25 per cent.

By comparison, those countries covered by the Multifibre Arrangement (MFA) negotiations only increased their share by 8 per cent.

EEC imports rose by 10 per cent, and there was a big drop in goods from the US, which fell by 49 per cent between the two periods. This was almost certainly because of the strength of the dollar compared with a year earlier.

The volume of carpets from the US, for instance, dropped from 3.9m sq metres in the first half of 1981 to 600,000 sq metres this year, a fall of 85 per cent. Similarly, household textiles dropped from 2,500 to 500 tonnes, a fall of 78 per cent.

The British Textile Confederation also implicitly accuses some countries of attempting to evade the quota rules by sending as much as possible to Britain in the early months of the year in hopes that the EEC, which governs the flow of imports, will fail to enforce the bilateral agreements.

Elf Aquitaine and Toray in £11m venture

By Richard C. Hanson in Tokyo

TORAY INDUSTRIES, the world's leading maker of carbon fibres, and Société Nationale Elf Aquitaine (SNEA) will spend ¥5bn (£11.3m) to build a joint venture plant in Southern France.

The two companies have been studying the feasibility of a joint venture to manufacture and sell carbon acrylic carbon fibre, mostly used in aircraft, for over a year.

The joint venture will be owned 65 per cent by SNEA and 35 per cent by Toray. In its initial stage, 30 tonnes per year of carbon fibre products will be produced, starting late in 1984. Toray will provide the raw material for the joint venture.

In a second stage, expected to be realised from 1986 or 1987, production will double to 600 tonnes a year. At that point the joint venture will begin producing the raw material itself.

Toray at present ranks as the largest producer of carbon fibre with a capacity of over 1,200 tonnes a year. The company has licensed its technology to Union Carbide, in the U.S.

Judge declines to halt U.S. Navy contract

WASHINGTON—A Federal

Judge has declined to issue a temporary restraining order that would have nullified a U.S. navy contract for the hauling of supplies to U.S. troops in Europe.

One of the United States' largest shipping concerns, United States Lines, sought the injunction to prevent a new shipping company, American Coastal Lines, from carrying the supplies under a six-month contract, effective October 1.

Judge Norma H. Johnson, a U.S. District Judge, said United States Lines failed to show it would suffer irreparable injury.

Among United States Lines' claims was one that asserted that the contract posed a security risk because one of the minority partners in the new venture is a Swedish company, Salens of Stockholm that also is an agent for the Soviet maritime fleet.

Mr John Bayly, the Assistant U.S. Attorney argued that no strategic materials would be shipped under the contract.

Malaysia offers Seoul oil-for-ships barter deal

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA has proposed to South Korea a barter deal, under which the South Koreans will build two boats for the Malaysian Navy in exchange for natural rubber and crude oil.

Datuk Musa Hitam, Malaysian Deputy Prime Minister, who recently returned from a visit to Seoul, said South Korean shipbuilders have responded positively to the proposal.

Datuk Musa did not specify the type of boats to be built or the costs, and said Malaysian officials would be working out the details and further negotiations would be carried out.

Malaysia would prefer the two naval craft to be built in Malaysia, with Korean expertise and workers, but Datuk Musa said the boats would be built in South Korea if the costs were found to be much lower.

Under "Look East" policy of its Prime Minister, Dr Mahathir Mohammed, Malaysia is turning to Japan and South Korea as economic models, and

contractors of these two countries have, in the past year, secured almost all the major construction projects in Malaysia.

Malaysian exports have been badly hit by depressed prices and contracting volumes, and the country is expected to record a \$3.5bn (£2.2bn) balance of payments deficit on its current account this year.

Meanwhile, the Malaysian Industrial Bank, set up three years ago to encourage the growth of shipping and a ship building industry, said it would be expanding its assistance.

Tan Sri Sallehuddin, the bank's chairman, said several new forms of financing were being considered, including a bank financing guarantee for Malaysian shippers.

The bank's low-interest financing would be extended to other local ship-building activities such as oil rigs, modules, marine fabrication and welding, he added.

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UK NEWS

SDP faces stern test at Peckham by-election

By John Hunt THE Peckham, South East London, by-election, where the Social Democrats will face their next big test, is to be held on Thursday, October 28.

The SDP candidate for the traditionally safe Labour seat, is Mr Dick Taverner, head of the Institute for Fiscal Studies. He broke from the Labour Party and stood independently as a Labour Democrat to win the Lincoln by-election in 1973.

He held that seat until the general election in October 1974. The contest at Peckham follows the death of Labour MP Mr Harry Lambourn, who held the seat with a majority of 10,800 in the 1979 general election.

Mr Taverner is seen as a strong candidate and the SDP will be fielding a big team of supporters in an effort to prove the party is regaining momentum despite its poor showing in recent opinion polls.

Labour also has a strong candidate at Peckham in Harriet Harman, legal officer of the National Council for Civil Liberties.

The SDP hope to get a spin-off from Labour's troubles in the neighbouring constituency of Bermondsey.

SAY CHEESE—the first new British cheese for more than 200 years (or so it is claimed) was launched yesterday by the Milk Marketing Board—with a little help from Mr Peter Walker, Agriculture Minister (right).

The cheese, called Lymeswold, is a full-fat, soft blue with a white rind, writes David Churchill. It has been developed at a cost of £5m by Dairy Crest.

Dairy Crest hopes Lymeswold will capture a quarter of the £790m-a-year cheese market. It will cost about 54p a quarter.

Mr Walker is already hooked on Lymeswold. "The Walker family has been privileged to have a pre-taste," he said at a reception in London yesterday. "In our family the parents like it, the children like it—and in moments of generosity our Old English Sheepdog is allowed to like it."



Roger Taylor

Government 'gave Britoil a £462m gift'

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT was accused yesterday of handing Britoil a £462m "gift" to make the State undertaking more attractive to prospective shareholders.

The allegation was by Dr Gordon Brown, Labour Party Scottish vice-chairman, commenting on what he described as confidential documents relating to the forthcoming sale of shares in the oil exploration and production company.

His claim was treated with scepticism in the organisation and in Whitehall, though neither Britoil nor the Energy Department would comment on Dr Brown's claims.

Dr Brown said that documents prepared by the Government and its advisers showed that Britoil would be given an initial capital structure based on an £80m cash injection from public funds: £127m from the National Oil Account; and

£219m from profits of British National Oil Corporation before it was split into Britoil and the State-owned BNOC trading company.

The package, he said, meant that the Government was to give away most of the £800m in cash that it expected to raise by selling 51 per cent of Britoil shares to the public.

The deal would mean that the public would get "next to nothing," despite Britoil's

ownership of "an estimated £30,000m-worth of oil reserves."

The gift of £462m to Britoil would have given our health workers a wage increase of 15 per cent," Dr Brown added.

It is known that the Government and Britoil have been discussing the company's capital structure. A new one is needed because formerly all BNOC's surplus revenue was channelled into the State-controlled National Oil Account.

Joint plan to develop J. Lyons offices

By Andrew Taylor

CADBY HALL, Hammersmith, London headquarters of J. Lyons food group for almost a century, is to be redeveloped in a £50m joint venture scheme with Rush & Tompkins, the construction and property development group.

Lyons, now part of Allied-Lyons food and drinks empire, and Rush & Tompkins, Cadby Hall Developments, will redevelop the 10-acre site over five years.

The plans to be approved following a public inquiry will provide 284,000 sq ft of new office accommodation, 290,000 sq ft of residential accommodation and 1.32 acres of land for community use.

The existing headquarters is to be extensively refurbished to provide around 125,000 sq ft net of office space, occupied chiefly by Lyons.

Lyons has been seeking to redevelop the site for almost a decade, following the transfer of some of its food manufacturing operations to locations outside central London. A plan was approved in 1976, but was abandoned in the face of the property crash.

Redevelopment plans were revised following the takeover of J. Lyons by Allied Breweries in 1978.

BA provides for more lay-offs

BY LYNTON McLAIN

BRITISH AIRWAYS is to make a provision of £70m—in its so far unpublished accounts for 1981-82—for redundancies in the current financial year, Sir John King, the part-time chairman of BA said in Hong Kong yesterday.

The decision to make provision for redundancy payments in the year before they fall due is part of the airline's strategy for moving from heavy losses to modest net profits by the end of the 1982-83 financial year, next March.

This is intended to present the state-owned airline in a favourable light in time for the Government's intended sale of the airline to the private sector. Mr Iain Sproule, the Parliamentary Under-Secretary of State at the Trade Department, in charge of the de-nationalisation of BA, wants this to happen before the next general election and, if possible, by September next year.

The airline announced from London yesterday plans to discontinue 17 of its routes and to close seven of its offices abroad by next spring. The route cuts represent 4 per cent of British Airways' total operations.

The total economies are designed to improve the airline's trading profits by up to £10m a year "on a recurring basis," the airline said.

British Airways is to stop all its flights from Heathrow Airport to Edmonton and Calgary in Canada; to Damascus in Syria and to Inverness in Scotland. Flights from Gatwick Airport to New Orleans, Düsseldorf, Alicante, Faro and Palma are to stop.

Services from Manchester Airport to Toronto, Edinburgh, Zurich, Geneva, Malta, Cyprus, from Birmingham Airport to Copenhagen, and from Edinburgh to Aberdeen will all be stopped.

The closures are a direct result of unrelenting world-wide recession in our markets," Mr Roy Watts, the deputy chairman and group managing director of British Airways, said yesterday.

"The routes we have selected for elimination are those on which we can find absolutely no prospect of adequate profitability, and which do not contribute significantly to the success of other routes," he said.

The latest route closures are in line with the plans of British Airways, announced in July, to cut the total staff of the airline from 41,600 at present to 35,000 by March 31, 1983. The new cuts bring the total reductions in the airline in the past three years to 60 routes and 23 stations across the world.

The accounts due from British Airways by the middle of next month are expected to show total losses of approximately £400m for the previous financial year—1981-82. This loss—about which Sir John King refused to be specific, but which BA did not deny—includes £128m in redundancy payments for 9,000 people dismissed since autumn 1981, when the airline had 51,000 staff.

The announcement yesterday represents "only part of a plan for BA that has been introduced successfully over the past three years," Mr Watts said. "In that time we have hoisted the productivity of our staff by more than a third, and improved our performance and service to customers until we rank with the best."

Controls over hazardous substance sites urged

BY WILLIAM COCHRANE

BRITAIN'S planners have demanded changes in legislation to provide planning controls over development specifically designed to handle dangerous substances. The appeal came as Salford City Council called for an inquiry into Saturday night's explosion at Flax Street which led to more than 700 people being evacuated from their homes.

The Major Hazards Working Group of the five societies of local authority chief planning officers, in conjunction with the Royal Town Planning Institute, last week called on Mr Michael Heseltine, Environment Secretary, seeking changes in the planning legislation.

Yesterday the leader of Salford City Council asked the Home Office and the Environment Department to consider establishing a full inquiry into the cause of Saturday's explosion.

The inquiry would cover the improvement of control over the storage and haulage of dangerous or potentially dangerous chemical substances, as well as matters relating to recompense for damage caused and insurance liability.

"There has never been any legislation which defined premises or land for the processing or storage of hazardous substances as a separate land use. Effectively, there is no planning legislation to control major hazards at all," Mr Ted Dickson, founder chairman of the major hazards group and now a corresponding member, said yesterday.

He acknowledged that the Environment Department, in a letter a month ago, did envisage the improvements in legislation which the working party was seeking. But Mr Dickson was very doubtful that the envisaged legislation would cover situations like that at Salford.

The explosion was at the transit warehouse of A. J. Bloor, trading as B and B Builders.

Salford also asked the Home Office and the department for consideration to be given to the need for strengthening local authorities' regulatory powers.

The council requested full consultation on the precise form and scope of any inquiry before final decisions are taken as to its constitution and scope.

The inquiry should be seen to be independent. "Unless satisfied with the proposals (the council) must reserve the right to set up immediately an independent inquiry under the leadership of a queen's counsel."

BT orders 9,000 Cardphones

BY JASON CRISP

BRITISH TELECOM has ordered nearly 9,000 public payphones which use a special plastic card, like a credit card, from the Swiss company Landis and Gyr.

The order, worth about £15m, follows a trial of 200 Cardphones in four UK cities. BT found that they produced twice the revenue of ordinary coin-operated and sold cards worth £0.5m.

Landis and Gyr is to assemble the Cardphones at its factory in Acton. Most are to be delivered between August 1983 and spring 1985.

Two cards are available to pay for calls, one with 40 units costing £2 and the other with 200 units costing £10. The card is placed in the phone which displays the number of remaining units and reduces them as the call is made.

Howden ex-directors face actions by U.S. broker

BY JOHN MOORE, CITY CORRESPONDENT

FOUR FORMER directors of Alexander Howden Group, the insurance broker, will defend legal actions against them in the High Court by Alexander & Alexander Services of the U.S., the world's second largest insurance broker, which owns Howden.

They are: Mr Kenneth Grob, former chairman; Mr Allan Page; Mr Ronald Comery; and Mr Jack Carpenter. Mr Ian Fosgate, former star underwriter of Alexander Howden, is also expected to defend the proceedings.

CC HOWDEN 3/4 The move follows allegations in two High Court writs by Alexander & Alexander against the five, claiming damages for alleged fraud and misrepresentation.

A concurrent writ has been issued by Alexander Howden Group and three of its insurance subsidiaries, Sphera Drake Insurance Company, Drake Insurance Company, and Sterling Insurance Company. Alexander & Alexander Services has joined this action as a plaintiff.

The latter action begun by Howden, its insurance companies and Alexander & Alexander Services claims damages for misrepresentation; delivery of two paintings, one by Redon, one by Pissarro, and works of art worth \$337,250, and delivery up of the contents of the Villa Olivia, Villefranche, France. This claim is against Mr Grob, Mr Comery, Mr Carpenter and Mr Page.

The plaintiffs claim against all five defendants that each is liable as constructive trustee of all monies paid to overseas companies allegedly under their control. A claim is made against Mr Fosgate for delivery of a painting by Pissarro.

The writ in its points of claim alleges that all five "unknown to the other directors of Alexander Howden Group" were members of a syndicate of unnamed investors which bought from Howden a controlling interest in the Banque du Rhone et de la France, a small Swiss bank.

It is alleged that the funds for the purchase were provided from the secretly controlled companies and Lloyd's syndicates, and that none of the five disclosed his interest in the syndicate of investors which bought the bank from Alexander Howden Group.

There must be an easier way to get your business off the ground.

If you're planning to expand, move, set up in business or open a subsidiary, you've probably already discovered that finding the right location is fraught with difficulties. And, that although many places offer a whole range of different incentives, you have to knock on many different doors to get the whole picture. In Scotland you won't find us giving you the runaround. We pool all our resources under one roof.

Our team of highly qualified specialists can offer just about everything the businessman could wish for. Finance, including loans, Government grants, and equity participation with buy-back provisions. A specialised Small Business Division, management advisory services, and specific units to deal with the electronics and health care industries. And access to a huge choice of

industrial property to suit all needs, all over Scotland. One visit, telephone call or letter to our London office will bring you the full range of information and assistance. You shouldn't have much trouble finding it. **Scotland. Through one door. Locate in Scotland.**



Life commissions agreement to end

BY ERIC SHORT

THE LIFE Officers Association and the Associated Scottish Life Offices are about to abandon the commissions agreement which imposes a maximum level of commission member life companies can pay independent intermediaries.

A meeting today is expected to announce that, possibly from the beginning of 1983, life companies will be able to pay any commission they consider necessary and justified to insurance brokers, solicitors, accountants and other insurance intermediaries.

Intense competition will escalate the already existing commissions war.

Such a move would represent a complete change in the attitude of the LOA towards commissions on life and pensions contracts paid to intermediaries. Until now it has adopted an uncompromising line that a commissions agreement, which imposes a maximum limit paid by life companies, is necessary to protect the consumer.

The LOA argues that with such a scale, the insurance intermediary would not be influenced by the commission of the life companies.

Many of the life companies formed over the past decade have kept out of the associations to avoid being bound by this commissions agreement. These life companies are paying commission rates well above the LOA scale.

Some pay as much as 6 per cent on single premium business compared with the LOA maximum of 2.5 per cent. Some life companies within the LOA are uneasy over this competition with non-LOA companies and have been pressing for substantial relaxations in order to compete with the non-LOA companies.

The refusal of the associations to make relaxations in the past has resulted in several life companies, including Equity and Law and Abbey Life, leaving the LOA so as to have more flexibility on commission payment.

It is understood that several life companies are prepared to follow this example and leave the LOA so they can compete on equal terms with the non-LOA companies. It seems that with the prospect of further defections, the two associations have decided to abandon an agreement that was becoming increasingly unworkable.

The wheel will thus have come full circle since the associations first imposed commissions agreements to stabilise the commissions position. Before the LOA involvement life companies were free to pay the life companies they desired and were getting involved in a commissions war to obtain business.

The agreement on pensions commission in 1954 and on individual life business in 1960 stabilised the situation. The present commissions agreement has operated since 1976.

Call for fresh Calvi inquest

By William Hall, Banking Correspondent

LAWYERS representing the family of Sir Roberto Calvi, the Italian banker found hanged underneath Blackfriars Bridge in London, are to ask the Attorney-General for a fresh inquest into the death of the Italian financier.

Sig Calvi, head of the Banco Ambrosiano group which is at the centre of a major banking scandal in Italy, was found dead in London in mid-June. An inquest a month later found that the banker had killed himself.

Sig Calvi's family is known to have been unhappy with the majority verdict reached after a twelve hour hearing. They had hoped that the inquest would have declared an open verdict.

Sir David Napley, representing Sig Calvi's family, said yesterday that he was preparing details to submit to the Attorney-General to get the verdict set aside.

It is understood that another pathologist's report has been prepared and more evidence has been discovered about Sig Calvi's problems with vertigo.

Sir David is expected to present his case to the Attorney-General within the next week. Considerable mystery has surrounded the death of Sig Calvi and it is widely believed in Italian banking circles that Sig Calvi may have been murdered.

Over 150 candidates expected for Ulster Assembly

BY OUR BELFAST CORRESPONDENT

MORE THAN 150 candidates are expected to have come forward when nominations close for election to the 75-seat Northern Ireland Assembly later today.

The two days of nominations mark the official start to the campaign for the October 29 poll. In spite of public scepticism about the Assembly's ability to solve anything, the parties will go to the hustings with their usual vigour.

The Official Unionist Party, led by Mr James Molyneux, MP, is the largest group in the field with 42 candidates, seven more than the Rev Ian Paisley's Democratic Unionists.

The Assembly, elected under a system of proportional representation, promises to be a one-sided affair. Various shades of Roman Catholic and Republican

opinion are boycotting either the election itself or Assembly sittings.

The Social Democratic and Labour Party, the main minority group, will refuse to take its seats, but is running 23 candidates in all 12 constituencies to test support for its claim that the system devised by the Government is unworkable.

Provisional Sinn Fein, the political wing of the Provisional IRA, will field 12 candidates, including the brothers of two dead hunger strikers. Sinn Fein had successes in by-elections last year, at the height of the hunger strike, but this election will provide a better gauge of public support. They, too, will refuse to sit in the Assembly.

The Workers' Party, the political successor to the old

official IRA, is also running 12 candidates and will play its part in the Assembly on the grounds that it could help local economy.

The controversial Assembly proposal by Mr James Prior, the Northern Ireland Secretary, is the first big Government initiative to restore some power to local representatives, since the Constitutional Convention in 1975.

But because "cross-community support" is needed, before any power can be transferred, the boycott by the minority parties is seen by many as scuppering the attempt.

Nevertheless, many small parties have decided not to miss the chance. The Unionist groups which have entered the fray include the Vanguard Party, led by Mr William Craig, a former Minister in the Stormont

Government who will be the party's only candidate.

Mr Gerry Fitz, the Independent MP for West Belfast, has pulled out of the Northern Ireland Assembly elections in protest at the recent spate of killings in the province.

Mr Pitt, 54, a Catholic and outspoken opponent of the IRA, made his decision following the killing of a soldier in a terrorist bomb incident yesterday.

Ulster's Social Democratic and Labour Party, the province's main representative of Catholic political opinion, has been left off the invitation list for a party conference in the Irish Republic next month for being "too nationalistic."

The decision has created a row inside the Irish Labour Party, junior partner in the Dublin Government until earlier this year, and prompted criticism from its party leader, Mr Michael O'Leary.

Representatives of the SDLP have traditionally attended Irish Labour conferences as fraternal delegates and fellow members of the socialist international organisation.

But this time the Labour Party administrative council decided against inviting the SDLP, claiming it had become "too nationalistic and lacking in socialist policies."

The Northern Ireland party's deputy leader, Mr Seamus Mallon, today described the move as "sad, ill-advised and petty."

"We have always been nationalistic and never made any bones about that. To say there has been any change in the direction of the party is utterly wrong," he said.

Post Office joins pet food maker in savings tokens scheme

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE two million or so dog owners who haven't bought a licence now have no excuse not to pay up.

The Post Office yesterday joined with Spillers, manufacturers of such famous names as Kattomest and Winalot, for a joint promotion which could cost Spillers £1.7m.

Under the scheme, called Spillers Post Office Pet Savers, 30m products ranging from dog food to cat litter will

carry printed tokens. When 30 have been pasted on to a collection card they can be redeemed at any of the 23,600 post offices in Britain for any product or service worth £1.

The Post Office hopes that pet lovers will avidly collect the tokens and rush to their local post office to buy extra stamps, coin sets, aerogrammes, National Savings gift tokens... and the 35p dog licences.

The scheme is the first time

that the Post Office has linked up with a commercial organisation to carry out promotion in this way. Mr Nigel Wainman, the Post Office's marketing director, admitted yesterday: "Ten years ago it would have been unthinkable for the Post Office to take part in a venture of this sort."

Earlier this year the Post Office offered a scheme whereby customers could buy 10 stamps for the price of nine. "The response to that

promotion was phenomenal," said Mr Wainman. Instead of the normal 1.5m empty books sold in a five-week period, the promotion led to sales of 4.5m books over the same period.

The Post Office's new emphasis on promoting itself was noted by a Covent Garden sales promotion consultancy called the Sales Machine.

Sales Machine, which had done some promotional work

for Spillers before, realised the potential for the Post Office link-up. Market estimates have shown that three-quarters of all adults visit a post office at least once a month, while about half of all households own a pet, with dogs more popular than cats.

Mr Alan Farrar, marketing director of Spillers, said: "Working with the Post Office in this way gives us a very powerful sales weapon."

Publicity for unused land

BY JAMES McDONALD

THE Department of the Environment has launched a £45,000 campaign to make more widely known to developers the new registers of unused or under-used, publicly-owned land.

District councils hold published registers of all such land in their areas. They can be examined free of charge. The campaign, which will last about a month, is aimed at

developers "who may pass suitable sites every day without knowing that they are on the market."

There are nearly 11,000 sites in England on the registers—more than 96,000 acres in all. More than 60 per cent of the acreage is owned by local authorities and 25 per cent by nationalised industries and statutory undertakings.

Consumer protection in the micro-chip age

THE IMPACT of new micro-electronic technology on retailing is unlikely to make new consumer-protection laws necessary, according to a report published yesterday by Sir Gordon Borrie, Director-General of Fair Trading.

The report includes the results of a wide-ranging study into the effects of new technology on retail distribution carried out over the past 18 months by a team of industrialists recruited by the Office of Fair Trading.

Sir Gordon said that the results showed that there were benefits to be gained from the introduction of new technology and that potential disadvantages could be contained or averted. The report also concluded that "self-regulation could be developed where necessary and that the existing legislation—drafted for the most part in a pre-technological era—remains generally adequate for the task."

EFT were privacy and confidentiality, and security.

Sir Gordon suggested that the banks would need to make a considerable effort to inform account-holders about the new developments. "The scope for misunderstanding and inconvenience, which could result from the potentially faster transfer of funds electronically, is considerable."

Adequate steps had to be taken to ensure that details of personal bank accounts were kept confidential. Equally important was the prevention of error and fraud. "If unauthorised debits are made by EFT, I urge the card-issuing companies to set the same limit on liability (£50) as will apply to credit cards as a result of the Consumer Credit Act," he said.

On viewdata systems, Sir Gordon said that with the potential for growth available "there is an urgent need to consider the implications of such interactive buying facilities."

He promised that the OFT would take up with British Telecom and information providers the suggestion that they should voluntarily provide compensation—on the lines of the mail order protection schemes—to users losing pre-payments when suppliers become insolvent.

Expansion of cable television could also lead to more buying at home, Sir Gordon said. "Similar safeguards to those governing viewdata selling will obviously need to be introduced."

William Hall writes: The total cost of any nationwide system of EFT terminals could exceed £20m, according to the report. This means that there will have to be a considerable degree of co-operation between companies which are in other respects competitors.

Sir Gordon noted that the banking sector is "already highly concentrated" and the introduction of EFT should not be used as an excuse to increase this concentration.

"It is of prime importance that access to EFT systems as they develop should be open to all financial and other institutions of suitable standing who wish to participate. I shall be keeping a close eye on developments in this area."

"Barriers to entry to the money transmission business should be lower with electronic technology since all that is necessary to set up a ' giro' network is a central computer and access to the telecommunications system. An expensive and widespread branch network is no longer necessary."

The advent of EFTs "opens up the possibility of more competition within the banking system and of competition from outside financial intermediaries and others." It is important that such competition should be fair and that pricing should have a clear rationale.

Micro-electronics and retailing: available free from Distribution Unit, OFT, Room 600, Chancery House, Chancery Lane, London, WC2.

A study of the effect of new technology on retailing says that new consumer safeguards may not be necessary. David Churchill reports

However, Sir Gordon made clear that "well-informed consumers and healthy competition are the best guarantees that the benefits of new technologies are shared by the community and not retained exclusively by those who produce or install them."

He warned that "further, as yet unforeseen, threats to consumer interests may, of course, emerge from these developments and we must continue to be vigilant."

The report studied the impact of new technology in three key areas: the development of laser-scanning, electronic checkout systems; electronic funds transfer from retailers to banks; and selling by viewdata.

A number of leading supermarket chains have already installed "bar code" electronic checkout systems and the report suggests that by 1985 up to a fifth of all major supermarkets would have the systems installed.

Sir Gordon made clear that he was concerned at the possible effects of increasing retail concentration as a result of large stores gaining cost-saving benefits from using new technology. He was worried that this might accelerate the closure of small shops, with a consequent loss of consumer choice and competition. However, he acknowledged that some laser-scanning systems were being developed for use by small shops.

In spite of planning for electronic funds transfer and the existence of pilot schemes, "it seems unlikely that a full-scale EFT system will be in widespread use before the next decade," the report said.

The problem areas that could arise with the development of

If you worry about your husband, drive this message home.



Men rarely worry about driving the car on business trips. They don't fret if they're late coming home. But like as not you do.

Even if you ignore the risk of an accident, long drives can be hard on your husband's health. In terms of stress. Pressure. Tension.

Fatigue is another factor. It makes your husband less effective in his work.

And less able to enjoy what time he does get with you and the children.

And yet he needn't take the car on every journey. There's a safe, fast, reliable and civilized alternative.

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Your husband can relax on the train. Stretch out. Walk about. He can read. Work. Or get his head down. Frequently he can get a meal. Or a drink. And the timetables are convenient for him (and for you).

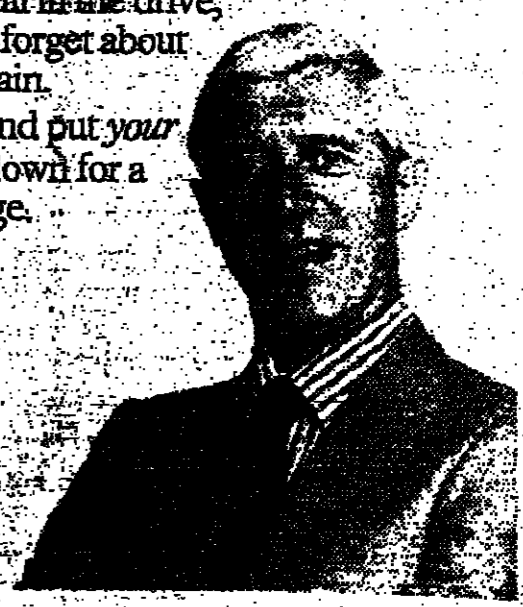
The train speeds from city centre to city centre. No parking problems. No traffic jams.

Now, couldn't you convince your husband to switch to the train?

Naturally no amount of nagging will get him to make the switch. But a bit of subtle pressure might encourage him, at least, to have a try.

How about it? When you hear his car pull in the drive, don't forget about the train.

And put your foot down for a change.



This is the age of the train

Sunnier side of saving energy

Ray Daffer reports on the homes built with heating bills in mind



WORKING QUIETLY, unseen in a converted garage, Mr Alan Horton monitors the goings-on in a group of family homes on one of Milton Keynes's new housing estates.

Surrounded by wires and dials, armed with a note-taker's clipboard, he looks for all the world like a Big Brother agent from George Orwell's Nineteen Eighty-Four. While, however, his activities may be funded by the Government, they are far from sinister.

Mr Horton, a research fellow with the Open University's Energy Research Group, is a member of a team monitoring energy aspects of specially designed and insulated homes in Summerhayes, Great Linford.

The houses have been constructed so that the main rooms, with large windows, face south to trap the best of the Midlands sun. The bathrooms, stairways and spare bedrooms are on the northern side of the buildings where small windows reduce heat loss.

Double-glazing and plenty of insulation, up to six ins thick in the loft, reduce heating bills considerably.

All this may seem obvious, merely an application of common sense. Sadly, however, the design and accessories of Summerhayes homes are unusual enough to warrant special investigation. A preliminary study of the figures shows that a family's heating bill can be about £150 a year less than in an ordinary house of a similar size.

As Mr John Daggart, energy consultant to Milton Keynes Development Corporation, pointed out, the savings should far outweigh the extra mortgage payments which might be needed to cover the cost of the innovations. The energy-saving features add about £1,600 extra to the £40,000 cost of a comparable house.

The Summerhayes development, built by a local private developer, S & S Homes, is just one of a dozen or so commercial

and domestic projects in Milton Keynes which are being investigated for their energy-saving potential.

A recent report by Milton Keynes Development Corporation, says the practical result of the first eight projects monitored is a saving in fuel bills of about £180,000 annually.

"If the lessons learned in Milton Keynes can be shared, the potential of the projects nationally is considerable," it says. Milton Keynes reckons its own total fuel bill probably exceeds £10m a year.

With a population of 102,000 and plans for 150,000 to 200,000 inhabitants by the 1980s, Milton Keynes is the largest of the 28 designated new towns in the UK. Receptive to innovation, Milton Keynes and its developers have long been interested in the use and conservation of conventional energy.

So much so that in 1972, before the first major oil crisis, the Development Corporation backed the construction of a solar-powered house, the first of its kind in the country.

Latest published tests conducted on the Bradville Solar House show that solar energy

of the National Coal Board, exclaimed: "I see no chimneys."

As an advocate of higher domestic and industrial coal usage, he was expressing his disappointment at the way British Gas had collared the domestic central heating market.

One energy project, developed in association with the Solid Fuel Advisory Service, involves 22 houses at Downs Barn heated with modern fires and boilers. And many homes burn coal as well as other fuels.

Perhaps the most striking example of multiple fuel use is to be found at 8 Downley Avenue, Bradwell Common, the "futuristic" home of Mr and Mrs Paul Ffello. Here, heating is provided by solar energy, natural gas and coal, all of which provide the Ffello family with considerable flexibility.

The house is even equipped with its own mini power station in which electricity can be generated by a Fiat car engine adapted to run on natural gas.

The four-bedroom home was built last year as part of the Homeworld '81 exhibition organised by the Development Corporation to illustrate possible houses of the future. Some of the houses look decidedly weird in design and concept but virtually all of them have significantly more insulation than current building standards demand.

The estate of Homeworld '81 houses has now become something of a tourist attraction. "The only drawback is the sightseers," said Mrs Ffello.

But Milton Keynes may soon have a new attraction—an "energy park" covering about 200 acres and incorporating domestic, industrial and commercial properties featuring the latest energy conservation and utilisation concepts.

Mr Steve Fuller, the Development Corporation's projects development officer, said the park, now being considered, might include its own room-sized power station and combined heat and power facilities.

De Lorean liquidation dropped by creditors

By John Griffiths

TRADE creditors of the De Lorean sports car venture in Belfast have abandoned their plans to file for the liquidation of the company tomorrow.

They have done so in the belief that the receivers are within sight of completing a rescue of the company.

An agreement in principle for the takeover of the company by a group of U.S. investors was signed just over two weeks ago. But the receivers were not prepared to recommend the rescue to the UK Government, which put up £75m for the operation, until they had firm evidence of the American group's financial bona fides.

Mr Paul Shewell, joint receiver with Sir Kenneth Cork, said at the weekend that the practical steps to implement the agreement were taking more time than expected.

He warned against "reading too much" into any headlines surrounding the future of the operation. Several times, widely publicised cut-off dates have been named for the completion of rescue attempts, either by Mr John De Lorean or, more recently, by a British consortium.

But the reality is that, unless the 72-acre site and its plant can be taken over as a going concern, the realisable value of the assets is very small in comparison with the funds invested and owed.

Car makers 'subsidised by artificially high prices'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

IF THE British had paid Belgian prices for their new cars last year the UK would have saved £1.3bn or 0.6 per cent of GDP, the Institute for Fiscal Studies argues in a report to be published later this week.

Ford was the main beneficiary, according to the institute, and was able to charge a total of £590m more for its cars than equivalent Belgian prices last year.

The institute also suggests that if UK prices fell quickly to those on the Continent, it would cost BL £300m a year.

EEC regulations would almost certainly prevent the British Government increasing its subsidy to BL and "the probable result of pricing at world levels in the UK market would be the liquidation of BL cars."

"However, the balance of payments costs of current prices are so large that even if lower prices led to the liquidation of BL cars and the assumption of a major part of its existing market share by imports, the net foreign exchange cost would be small, if indeed it was adverse."

The immediate collapse of UK prices to world levels is improbable, says the report. "But if the current level of differentials is unsustainable, it is hard to see how the outlook for BL can be other than gloomy."

The institute points out that Ford's position is particularly complex.

"Ford does not manufacture in the UK out of gratitude to UK consumers for their readiness to pay high prices in the UK market. Ford does so presumably because of a commercial judgment that it is more

Model	Range				Best-Median Price £
	Median Discount	Best	Worst	Best-Median	
Ford Fiesta 1100 PP	7.5	11.3	3.6	3.8	3,630
VW Golf 1300 CL	6.7	9.3	2.2	2.6	4,400
Fiat Strada 85 CL	11.1	14.0	8.1	2.9	3,735
Citroen GSA 1300	11.3	13.8	7.1	0.6	3,725
Talbot Sunbeam 1.3 GL	13.6	14.1	12.6	2.0	3,976
Toyota Starlet 1.2 GL	4.7	7.7	0.0	2.0	4,100
Opel Kadett 1.3	12.5	13.3	10.4	0.8	4,250
Metro 1.0 L	11.9	13.4	5.4	2.4	3,850
Datsun Sunny 1.3 GL	2.3	4.4	2.0	2.1	2,780
Renault 5 GTL	9.6	12.1	6.7	2.5	3,750
Cortina 1.6 GL	12.8	15.4	11.3	1.6	5,225
Cavalier 1.6 GL	12.2	12.3	3.6	1.1	5,200
Escort 1.6 GL	11.3	12.6	8.9	1.3	5,100
Bluchird 1.8 GL	6.1	7.1	0.9	1.9	4,650
Audi 80 GLS	9.8	11.9	5.2	2.3	5,875
Acclaim HL	11.1	13.0	3.2	1.9	4,489
Fiat 131 SH	11.1	13.9	8.5	2.8	4,487
Peugeot 305 GLS	12.2	13.3	8.2	1.1	4,260
Renault 18 GTLS	16.2	14.0	3.4	3.8	5,000
Maxi 1750 HL	16.0	17.4	11.3	1.4	4,550
Solara 1.6 GL	12.9	14.4	10.1	0.5	5,100
Ital 1.7 HL	15.0	15.3	10.0	0.3	4,230
Volvo 244 DL	12.7	14.4	10.2	1.7	6,275
BMW 320i	2.2	14.4	10.2	1.7	12,200
Rover 3500 SEA	14.2	14.4	13.2	0.2	10,725
Granada 2.6 Ghia	14.1	14.7	11.2	0.6	10,819
Overall Average	11.2			1.87	

Source: Institute of Fiscal Studies.

profitable (or less costly) to make a diminishing share of its British output in the UK rather than overseas."

The report adds another important consideration—Ford's market share and pricing policy rely on the fact that it is perceived by consumers as a UK manufacturer.

The institute, a politically independent, non-profit making charity, cites three reasons for the differential between the UK and Continental new car prices. The most important is the dominant role of company purchasing in the new car market in Britain and that corporate buyers are significantly more nationalistic than private buyers.

The differential is then exaggerated by sluggish responses to recent movements in real exchange rates and supported by real and artificial barriers to arbitrage between markets.

Differentials between car prices in the UK and Belgium: IFS, 1 Castle Lane, London, SWS. Price: £5.

Ulster report seeks to stem job losses

By Our Belfast Correspondent

AN INDEPENDENT report on the Northern Ireland economy, to be published in a few weeks, is expected to recommend several experimental measures in an effort to stem the loss of jobs in the province.

The lengthy study, compiled by a group of northern Ireland people in various spheres of economic influence, is said to criticise the lack of a coherent economic strategy for the region.

Mr James Prior, the Northern Ireland Secretary, who has studied a draft copy last week invited the authors to Stormont for talks on the main recommendations.

The report is understood to underline the need for Northern Ireland to present a far greater image of stability. It also highlights the disadvantages which result from the absence of a local political forum.

The authors are believed to have strongly condemned local politicians for their failure to understand the gravity of the position.

Engineering orders still in doldrums

By Maurice Samuelson

THE UK's engineering industries' order books in the second quarter of the year was at the same flat level of the previous quarter. No recovery has been seen since the last major orders were placed last autumn, according to yesterday's issue of British Business.

While export orders on hand are at their highest since 1974, much of the 15 per cent improvement over last year can be traced to a limited number of major orders from overseas rather than a general increase in activity from overseas markets, the paper says.

Home sales were fractionally higher in the second quarter but new orders declined a little.

In the machine tools industry, the second quarter showed some improvement but there was little sign of an imminent upturn, with weak demand and low sales remaining the key features.

Sales recovered by almost 10 per cent in the quarter but remained at less than half the 1975 level.

Lancashire business expansion

FINANCIAL TIMES REPORTER

A RECENT survey undertaken by Lancashire County Council into the marketing and expansion plans of Lancashire companies shows promising and optimistic results.

Of the 650 companies covered by the survey nearly 20 per cent indicated they had plans for the expansion or relocation of their businesses within the next year, with a further 26 per cent indicating similar plans within a five-year period. The survey shows that 31 per cent of the companies said they would be expanding in Lancashire, 9 per cent in the North West and only 4 per cent elsewhere in Britain.

About 48 per cent sold their products or subcontracted to manufacturing industries, and 31 per cent to the construction industry, within Lancashire—an encouraging industrial growth indicator for the county.

The survey shows a clear trend away from Lancashire's traditional industries into the

service sector. One area of rapid growth is supply and business services where a surprising 10 per cent of the companies found markets. Based on these figures, the service sector in the county is as large as the manufacturing sector.

Mr Michael Stansbury, the county's industrial promotion and liaison officer, is optimistic about industrial prospects. Many of the companies indicated, however, that they still needed extra assistance, and the results of the survey will now be used to determine a programme of activities for the Lancashire Industries Marketing Association.

LIMA was set up by the council last year to give assistance to small firms throughout Lancashire, co-ordinating its work with Lancashire Enterprises, an independent council-backed company set up to regenerate local industry, headed by Mr Jim Mason of Blackburn, as

chairman, and Mr Andrew Flockhart as managing director.

Mr Flockhart is currently in America talking to Data Processors—high-tech pioneers in the field—with a view to attracting World Tech Great Britain, a large data processing company, to use Lancashire as its base.

World Tech was recently established in partnership with the Co-Op Bank, Sun Alliance Assurance, British Steel and Pilkington's Glass, and was formed to develop small high-technology companies in this country.

Mr Mason is hoping that some of the redundant workforce from Lancashire's high-technology engineering companies can find new jobs using their skills in other high-technology applications. Unless the county can attract the new industries he fears that their skills will be lost, not only to Europe, but also to the Middle East, America and Japan.

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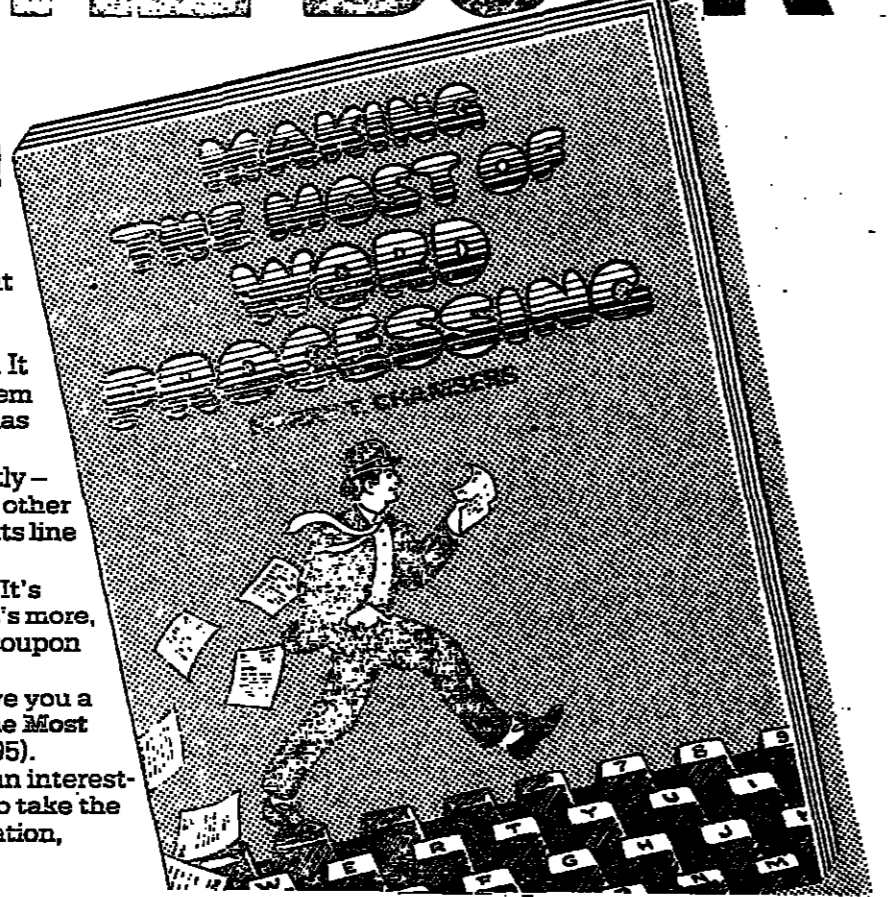
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Engineering orders still in doldrums

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مكتبة ليدز

Workers give factory a fresh start

Employees turn owners to keep plant open. Alan Pike reports

LAST NOVEMBER GEC announced to its workforce the closure of its Associated Automation Factory at Willesden, North London.

By the time the anniversary of the announcement is reached the workers will own the plant themselves.

The takeover has been made possible by substantial financial assistance from the Greater London Council, and by the £200,000 which the workers will invest when they receive redundancy payments from GEC.

Employment at the Associated Automation plant, which produces telephone coin box equipment, has declined substantially through the years. It stood at 1,200 in the late 1980s when decimatisation gave the coin-box equipment market its greatest recent boost. But the workforce has declined to 350, from a peak of 1,900.

The decline will continue with the workers' takeover. In the short-term, the new owners will be unlikely to be able to preserve more than about 180 jobs.

But they plan to diversify into new products which they believe will lead to more employment. Their immediate objective is to keep alive engineering skills in a part of London where the male unemployment rate is more than 15 per cent.

There were once 38,000 engineering jobs in this part of London. Now there are fewer

than 10,000. This is one reason why we felt we could not simply watch another factory go," says Mr Abdul Wagu, Amalgamated Union of Engineering Workers convenor at Associated Automation.

The workers' takeover owes much to the efforts of Mr Wagu, an employee at the factory for 20 years and AUEW convenor for the past 12. He gave increasing thought to the possibility that Associated Automation, while remaining viable as an independent unit, might become too peripheral to GEC's wider interests to survive within the group.

Mr Wagu and his colleagues, spurred by the growing fashion for management buyouts, discussed the option of the workforce taking over the factory if GEC decided to close it. To this extent, the workers were prepared for action when the closure decision eventually came, but agreement on the takeover has taken nearly a year of negotiations with GEC, the banks and the Greater London Council.

The deal should be finalised in about another month. A new company—Third Sector—has been set up by the workforce. This will receive a £405,000

mortgage loan from the GLC to buy the factory, plus a revenue support grant of up to £332,000. The business will trade in future as Hall Telephones—reviving the Hall name, still remembered in the industry, under which the Willesden factory started life in the 1920s.

Precise plans for the ownership and control structure of the worker-run company will be announced when arrangements for the takeover have been finalised. But both shopfloor workers and managers are determined their priority must be commercial viability, rather than a desire to prove theoretical points about worker co-operatives.

"We accept that the business has to be run on conventional commercial lines," says Mr Geoff Smith, production executive. "One of the most important things our customers are going to want to be satisfied about is that they are still dealing with a stable, reliable company. This will certainly be the case."

Customer reaction to news of the rescue has been favourable because it resolves any problems over the continuity of spare supplies—apart from other considerations.

"But we will offer another form of continuity as well," says Mr Reg Bath, quality manager. "We have a very stable, experienced staff and customers will be dealing with the same people as in the past. It puts us in a much stronger position than if we were launching a new company from scratch."

Between 30 and 40 per cent of the plant's production is exported. These markets offer continuing long-term prospects for the supply of spare parts and other equipment.

And plans are already being made to enter new markets, although the development of these products is likely to take a year or two.

One painful task faces the new owners before they concentrate their energies on running the business—they must decide which employees will stay. The survivors—some of whom have offered to invest more money than just their redundancy payments in the venture—will transfer to the new company on their existing pay.

Mr Wagu says the new owners' optimism is to some extent a tribute to GEC. Industrial relations at the plant are good—the last serious dispute was in 1974—and the workforce and local management have developed a sound, participative relationship. This convinces them that the transition from employees to owners need not prove too traumatic.

Nurses' pay talks fail to make headway

By Ivo Dawson, Labour Staff

TALKS between professional nursing bodies and Government officials broke up last night with no indication that any progress had been made on new pay proposals made by Mr Norman Fowler, the Social Services Secretary, 10 days ago.

Leaders of the non-TUC unions left the Department of Health and Social Security headquarters in London refusing to comment on the discussions. They are believed to be returning for a further meeting next week.

The talks are understood to be centring on attempts by the professional nursing groups—the Royal College of Nursing, the Royal College of Midwives, the Health Visitors Association and the Association of Nurse Administrators—to improve the present offer of either 4 or 5 per cent from January.

The nurses' leaders are also hoping to persuade Mr Fowler to put back the date for the implementation of a new formula for assessing nurses' pay from April 1984 to earlier in the 1983-84 pay round.

Leaders of the TUC health service unions will meet Mr Len Murray, TUC general secretary, in Blackpool today to discuss plans for industrial action due to take place in each of the 16 regional health authorities from Monday next week.

The action will begin in Merseyside and proceed through each regional health authority area throughout October. Union leaders will also discuss means of stepping up the campaign of selective stoppages by key workers, aimed at bringing all NHS services down to accident and emergency cover only.

The talks in Blackpool today between the 11 TUC unions and Mr Murray are intended to centre on sympathetic action by non-NHS workers.

Several union leaders believe the next opportunity for a breakthrough in the dispute emerge until Thursday when the Cabinet will discuss the issue, headed by Mrs Margaret Thatcher on her return from the Far East.

Several unions hope the national day of action, and a Sunday Times poll last week and showing over 80 per cent of the public, supports the health workers, will bring new pressure on the government.

Civil servants attack research on jobs for Megaw inquiry

BY DAVID GOODHART, LABOUR STAFF

RESEARCH carried out by Hay Management Consultants for Megaw inquiry into Civil Service pay has been sharply criticised by a major civil servants' union.

The latest edition of the journal of the Society of Civil and Public Servants questions the objectivity of management consultants in gathering pay data and says that alleged errors in the research for Megaw may have influenced the inquiry's recommendations.

Megaw recommended that a new pay information board should be set up with management consultants collecting and analysing data on outside pay levels. The inquiry said that consultants would have more experience of the private sector, would use tried and tested

methods of job evaluation and would be seen to be impartial. The SCPS feels that no job-evaluation system can claim to be scientific and that the system used by Hay Management Consultants would rank Civil Service work at a ridiculously low level.

But the union's main criticism concerns the research carried out for Megaw by Hay Management Consultants that reviewed civil service pay in France, Canada and the U.S. It says that research is "riddled with inaccuracies and errors."

It alleges that Hay did not mention the "well-known criticisms of the U.S. system" which include the fact that pay surveys of private industry and the settlement date for civil servants be narrowed.

It also says that Megaw's recommendation to introduce pay bands into the British Civil Service might have been different if the U.S. President's Advisory Committee on Federal Pay had been considered.

The union says the committee has recommended that the 15 pay bands in the U.S. should be divided into "smaller, more homogenous, occupational groups" closer to the unions' own view on pay comparability.

Mr Barry Curran, director of Hay Management Consultants, said: "We carried out an extremely comprehensive and accurate comparison of civil service pay methods for the Megaw inquiry." The research had been studied and authorised by senior officials in the civil services of each country studied.

British Telecom faces action on October 20

By Our Labour Staff

MR GERRY GILLMAN, general secretary of the Society of Civil and Public Servants, has accused the Government of planning to sell-off 51 per cent of British Telecom at half its true value.

The attack came as the six main BT unions yesterday announced October 20 as the day of action against privatisation.

Mr Gillman said that evidence of the under-valuation could be found in an industry Department document on BT leaked earlier this month, saying that shares in BT will be floated from April 1984 and the new company will have an expected authorised share capital of 6bn shares valued at 50p each.

On October 20, the Post Office Engineering Union, and the Civil and Public Services Association and Society of Civil and Public Servants, have decided to strike for the day.

Members of the Union of Communication Workers, the Communication Managers Association and the Society of Post Office Executives, have been urged to take various forms of action short of striking.

Freightliner depot strike

FREIGHTLINER, the British Rail subsidiary, has warned it could lose business worth £1m a year, if the strike at its Millbrook, Southampton, terminal is not called off soon.

more than two weeks over drivers' pay and flexibility. Ford, which normally sends a trainload of components each day, has been supplying its local truck plant at Swaythling, by road. Other customers have also had to switch to road hauliers. No further talks are planned on the dispute, which concerns rail staff have been on strike for

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Glass makers fear loss of 'cheap' U.S. ash

BRITISH GLASS makers fear that possible EEC action against imports of U.S. soda ash, a vital ingredient in glass making, will again make them totally reliant on Imperial Chemical Industries, which until four years ago had a virtual monopoly of the UK market.

It still controls more than 90 per cent of the market, but the glass industry now buys part of its supplies from the U.S. and wants to retain this second— and cheaper—source.

The European Commission is expected to decide shortly whether to put up import tariffs after allegations by European chemical producers that soda ash from America is being sold here at below domestic U.S. prices.

The UK glass industry doubts whether the dumping allegations are true, and stresses the

importance of having alternative supplies, even though it has had a fairly harmonious relationship with ICI in the past and knows that it will continue to rely on it for the bulk of its needs.

Mr John Small, group managing director of United Glass, the biggest UK glass container maker, says that verifying dumping claims "could be as difficult as proving how many angels dance on the point of a needle."

Soda ash is the most expensive ingredient of glass, accounting for about 35 per cent of its raw material costs. United Glass buys between 10 and 20 per cent of its ash from U.S. sources.

At present U.S. ash sells in Britain at about £94 a tonne at the warehouse gate, compared with ICI's ex-works price of

£100.50 a tonne.

The main reason for the relative cheapness of the U.S. product is that it is mined in natural form, whereas ICI's has to be made from limestone, salt and ammonia by the expensive and energy thirsty Solvay process.

In Wyoming, which is rich in natural ash, the local price earlier this year was about \$98 a tonne. Transport to the Eastern U.S. boosted this price there to \$132 a tonne, reaching the equivalent of \$162 a tonne by the time it reached Britain by sea.

Europe's total ash production is almost 8m tonnes a year, with ICI the second largest producer after the Belgian Solvay group, which produces 4.5m tonnes in ten factories throughout the continent.

Unofficial estimates for the

beginning of this year put ICI's output at 1.73m tonnes, followed by France's Rhone-Poulenc with 580,000 tonnes and Holland's Akzo chemicals group with 390,000 tonnes. There are other smaller producers in West Germany and Italy.

ICI's determination to protect its British market against outside competition is understandable in view of the contribution which soda ash made to the £75m profits of its general chemicals division last year.

Its campaign against U.S. imports has been made through the Conseil Européen des Fédérations de l'Industrie Chimique (CEFIC). American soda ash is already subject to a 10.3 per cent EEC import tariff, which will go higher if the Commission accepts CEFIC's dumping claim.

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THE LABOUR PARTY AT BLACKPOOL

Militants resigned to biding their time

THE MILITANTS are on their best behaviour this week. The word appears to have gone round — no heckling or haranguing, no shouting, no frightening old-age pensioners.

Instead, they sit decorously in their seats, barely responding to the tirades of the Right, ostentatiously supporting those who support them, ignoring those who do not.

A sea of delegates surges into the Winter Gardens at the start of each conference session, bearing away the accumulated flotsam of the fringe newspapers and pamphlets, the Anti-Apartheid Movement, the Gay Rights Campaign, the Spastics Society, the Mothers of Vietnam, Labour Herald, and a wistful representative of the Moslem-Iranian students outside Iran.

It moves on, leaving an empty entrance hall of discarded and trampled leaflets, a few lingering and an isolated handful of sellers of the Militant newspaper. Others may mean their posts only when the crowds are there, but the Militant sellers slog it out during the empty hours as though it were their last chance.

Even before yesterday's vote accepting the introduction of a register of groups permitted to operate within the party — a register designed primarily to exclude the Militants — it was clear that they had been abandoned for the time being, to their fate.

The more powerful groups of the Left — the Labour Co-ordinating Committee, the Campaign for Labour Party Democracy, the London Labour Brien's and others — do not appear willing to stick their necks out for Militant. Leading left-wing figures, like Mr Tony Benn, Mrs Frances Morrell, Mrs Audrey Wise and Mr Reg Race, have already spoken out at fringe meetings, savagely attacking the "witch hunt."

Others will, no doubt, continue to do so throughout the conference week and for many months to come. But it seems

Foot wins clear vote for approved groups' register

AMID BITTER protests by hard-line left-wingers, the Labour conference decided by a majority of more than 3-1 yesterday to give the Militant Tendency its marching orders out of the party.

On a card vote the establishment of a register of approved groups, for which Militant, as at present constituted, would fail to qualify, was approved by 5,173,000 to 1,565,000.

Reports from Margaret van Hattem, John Lloyd, Ivor Owen and Lisa Wood pictures by Terry Kirk

The deep divisions which have marked every stage of the campaign which Mr Michael Foot was finally persuaded to undertake to rid the party of the militant Marxists were still in evidence as the decisive vote was called.

Most delegates rose to their feet, some with little enthusiasm, to give Mr Foot a standing ovation but leading left-wingers on the party's national executive including Mr Tony Benn, Mr Eric Heffer, Mr Frank Ailana and Miss Joan Maynard remained seated.

Mr Foot insisted that there was clear evidence that the activities of Militant were in breach of the Labour Party's constitution. He swept aside suggestions that those who had engaged in them were set to enjoy the same kind of martyrdom accorded to Stafford Cripps and Aneurin Bevan when they were expelled from the party in 1938.

In one of the most telling passages of a strongly argued speech he refused to accept the validity of such a comparison. Mr Foot declared: "There was no secret conspiracy between Cripps and Bevan. They wanted everyone to know what they were doing."

Cripps and Bevan, he told the Militant supporters, had never sailed under false colours to propagate their views.

Mr Foot recalled he had been accused of trying to form a party within a party. "In their case it was not true. In this case it is true — that is the great difference."

The party leader added: "I have always been opposed to witch-hunts and I will be opposed to witch-hunts until the day I die." He maintained that there was a sharp distinction between witch-hunts and real offences against the party's constitution.

There was no question of people being expelled from the party for being Socialists, as had been suggested by Mr Pat Wall, a leading Militant activist who has been chosen as the prospective Labour candidate for Bradford North in preference to the sitting Labour MP.

He told Mr Wall, whose speech was applauded by Mr Benn: "Nobody under these proposals is going to be expelled for being a Socialist. They are only going to be expelled for breaking the constitution."

Mr Foot explained that he had finally been convinced of the need to lend his authority to the campaign against Militant by the volume of complaints which he had received from Labour loyalists all over the country. "I did it because of the stack of material I have had from party members up and down the country."

To have ignored the evidence, he said, would have been a recipe for the destruction of good faith in the party and would have inflicted appalling damage at a most critical time in its fortunes.

The establishment of a register, Mr Foot stressed, would not infringe the rights of freedom of association or of free argument within the party. Marxist ideas had always been discussed by the Labour Party and that process would continue.

Mr Foot ended with a plea for unity behind the party's



Mr Jim Mortimer, party secretary, watched by Mr Foot as he speaks on behalf of the NEC

constitution in the run-up to the general election.

Backed by cheers he declared: "People are crying out for us to get back to office to save their jobs and the peace of the world."

He also made it clear that he is determined to lead the party into the election. Mr Foot said he intended to go on defending the constitution with every breath in his body — and I have got a lot of breath."

He bluntly denied a charge by one parliamentary colleague, Mr Martin Flannery, MP for Sheffield Hillsborough, that the exclusion of leading members of Militant from the party would be the prelude to the jettisoning of existing policy commitments to unilateral disarmament and the withdrawal of Britain from the European Community. "I repudiate that entirely," he said.

Mr Foot was equally vehement in denying that the estab-

lishment of a register of approved groups would lead to a witch-hunt against individuals. He argued that the witch-hunts which the Labour Party had most recently experienced were those conducted by Militant to remove long-serving Labour councillors and MPs from their seats.

Mr Wall won applause from his Militant colleagues when he emphasised that he had twice been selected for the Bradford North constituency and on the second occasion by a bigger majority than on the first.

He insisted: "There is no civil war we want to wage is against the Tories and the system."

Mr Wall claimed that it was a "political obscenity" for the Labour conference to be debating such an issue at a time when the living standards of Labour Party members were under attack by Conservative policies. It was akin to a "spit in the face" for factory workers who had recently joined his constituency party.

Mr Wall contended that suggestions that only a handful of expulsions would result from the establishment of the register were not a justification for setting it up. "One expulsion of a Socialist because he is a Socialist is a witch-hunt," he said.

Mr Alan Sapper, leader of the television technicians union, asserted that the establishment of the register would turn the party's national executive into an inquisition with Star Chamber methods of expulsion and discipline.

He moved a composite resolution condemning the establishment of the register as a disastrous diversion at a time when the party should be uniting in the struggle against the Tories. It was defeated by 5,227,000 votes to 1,845,000.

Widening of health pay campaign rejected

LEFT-WING demands for the widening of the campaign on health workers' pay into a drive to topple the Thatcher Government were decisively rejected by the Labour Party conference yesterday.

The conference also indicated another defeat on the hard Left by turning down, by 5,537,000 votes to 1,205,000, a resolution seeking to bring retail chemists within the party's firm commitment to take the pharmaceutical industry into public ownership.

Doctors were among the principal targets of a successful left-wing move to secure a policy commitment to bringing the medical profession into the National Health Service as employees. (Cobse) were given a standing ovation during a debate in which delegates promised full support for the regional demonstrations which are to start with Merseyside on Monday as a "solidarity" with the nationwide Day of Action.

Mr David Williams, a Cobse member who replied to the debate on behalf of the national executive committee, committed the next Labour Government to providing a better deal for health workers but refused to align himself with advocates of a £30 minimum wage and a 35-hour week.

He said that the terms of the future pay structure for the health service must be left to the new arrangements for pay determination to be established by the Labour Party in consultation with the TUC.

Mr Williams reaffirmed an NEC statement condemning Government proposals aimed at reducing the cost of the health service to the taxpayer by encouraging the wider use of private health insurance schemes.

The NEC undertakings included an assurance that the health service would continue to be funded from general taxation, the phasing out of all charges and the removal of hospital paybeds and private practice from the service.

The NEC also undertook to introduce strict controls on the private sector, with suitable parts being incorporated into the health service. That would be coupled with a ban on the further development of new private hospitals.

Mr Albert Spanswick, general secretary of Cobse, said the take-home pay of a quarter of a million health service workers was less than £20 per week below the poverty line fixed by the Government.

To cheer, he declared: "We have taken on the Government and we will show them that we can stand and fight and fight and fight again."

Mr Ken Cameron, of the Fire Brigades Union, called for the introduction of a linkage formula which would ensure adequate annual pay increases for health service workers without industrial disputes.

A call for action to force the Government out of office was made by Mr Ian Harrison from Fulham. Insisting that the time had come to stop "pussy-footing around behind the scenes," he said private medicine should be abolished.

Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs (ASTMS), pressed for an investigation into the way in which the police ended a peaceful sit-in at the weekend by 12 hospital workers who had occupied a hospital laboratory at Kirkcaldy.

He said 43 policemen had smashed open a plate-glass door. The 12 workers staging the sit-in had been interrogated for more than two hours before being allowed to see their legal representatives. Young women had had their rights and bras removed because it was thought they might commit suicide, Mr Jenkins added.

Shifting alliances affect union votes for NEC posts

THE RESULTS of the elections for the Labour Party's national executive committee, to be announced today, are critically dependent on shifting alliances between trade unions.

The replacement of Mr Les Huckfield MP by Mr John Evans MP in the Labour clubs section is regarded as a certainty. But most observers also expect some changes in the

trade union section, which the unions control.

The General and Municipal Workers' Union, the country's third largest, holds the key, though it is being kept hidden from view by Mr David Bannett, the union's general secretary.

It appears likely that the union has put its 650,000 votes behind Mr Tom Sawyer, deputy general secretary of the

National Union of Public Employees. This would secure for that union the permanent place on the NEC to which it believes its size, as fifth largest union and the party's fourth largest affiliate, entitles it.

The victim of the move could be Mr Doug Hoyle MP, former president of the white-collar Association of Scientific, Technical and Managerial Staffs, for

whom the GMWU voted last year.

Both Mr Sawyer and Mr Hoyle are left-wingers, although the developing alliance between the GMWU and Nups on issues like low pay could lead to some untypical voting.

A much more serious effect could be on relations between the GMWU and the Electrical and Plumbing Trades Union. These two unions have been

holding merger talks for the past two years and have reached the stage of preparing a formal document which was to have been considered by their leaderships in November.

The EPTU has held, however, that the success of the merger was dependent on the GMWU vote going to Mr Tom Breakell, the EPTU president. Electricians' leaders said last night that if the GMWU vote did not

go to Mr Breakell, the merger would be called off.

The talks might have been abandoned anyway because Mr Terry Duffy, president of the Amalgamated Union of Engineering Workers, has recently been in touch with Mr Frank Chapple, the EPTU's general secretary, to ask him to respect talks on a craft union merger. Both men have long favoured such a course.

Hart issues call for unity

THE PARTY chairman, Dame Judith Hart, emphasised the need for unity, with total mobilisation of energy and capacity to explain and project party policies, if an election was to be won.

Opening the conference she said: "So much of the answer lies in our own personal commitment to dedicate our time and our thinking to our united purpose of electing a Labour Government intent upon carrying out the three imperatives of our socialist policy: industrial reconstruction, leaving the Common Market and nuclear disarmament."

"It is only within the context of these policies that we will be able to thrust forward the radical proposals of Labour's programme for the enrichment of the lives of our people."

"Expansion in the public sector would spearhead a Labour Government programme for regeneration of the economy," she said.

Dame Judith added that the impact of micro-electronics would force change upon British workers. "We can cope with that. We can have shorter working weeks and shorter working days. We can re-educate, we can learn new things to do with the 'new time' we shall have. We can work new ways of using 'own time' to enrich our own communities."

"But when a Government destroys the confidence of people in themselves and in each other, it creates a catalyst of social reaction. That is what this Government has done."

Dame Judith added that a Government destroyed the confidence of the nation in



Dame Judith: three imperatives of socialist policy.

itself and replaced a sense of success by the frustration of failure, it was laying the foundation for social havoc beyond its ken."

"The first row of the conference erupted only minutes after Dame Judith had made her speech. It was over a 'primatist error' in the agenda.

The resolution calling for renationalisation of industries sold off by the Tories said clearly that it should take place "without compensation" in the case of British Telecom.

There was uproar when the official in charge of which resolutions should be debated, Mr Derek Gladwyn, said there had been a blunder. The words "without compensation" were not supposed to be there.

Mr Eddie Loyden, a former MP, led protests against having the words removed, claiming they were meant to be present.

But Mr Gladwyn insisted there was a genuine mistake and put the error down to pressure of work on printing staff. The words were duly erased.

End to 'means test' demanded

ALL social security benefits should be paid as of right, without contribution tests, a majority of delegates agreed.

This was despite a plea from Miss Gwyneth Dunwoody of the national executive committee, who asked conference to remit the composite resolution for further consideration.

Miss Dunwoody announced that if Mr Norman Fowler, Secretary of State for Social Services, did not change his attitude towards the health workers in the first week of parliament later this month, the Labour Party intended to move a motion of censure against the Government.

Mr Carol Corbett of Cardiff West said in moving the motion: "The unemployed, the sick, the young and the elderly should be able to receive benefits as of right and not be subjected to means tests."

The value of benefits should be protected by linking them to the increase in earnings or

prices, whichever was higher. This should be effected in the first budget of a Labour government.

Legislation to tax unemployment and social benefits should be repealed and all future social benefits should be based solely on individual need. Mr Corbett called for legislation to give claimants a right to free legal representation at tribunals.

She also urged amendment of the Official Secrets Act so that it would no longer cover the provision and administration of social security.

Miss Dunwoody said that it was not the Official Secrets Act that was of concern and there was no instance where, perhaps, the individual needed greater protection.

Problems would arise if a Labour government attempted to repeal the legislation on taxation of social security benefits. "There would be instances where we are prepared to support some form of taxation."

Ms Jane Tomner said the Labour Party was adept at identifying the problems concerning social security but "pitiable at providing the solution."

She said: "This resolution is a commitment to replace social security with socialist security."

Ms Mary Honeyball, of the Association of Labour Social Workers, moved a resolution on personal services which was approved by conference. "In the past we as a party have not given the personal social services the attention they really deserve," she said. It was not enough to restore the Tory cuts.

Mr Len Baden, Oxford, spoke on the recent social security fraud investigations in that city and said there was a double standard in society. Thus it was deemed perfectly legitimate "for the rich man in his castle to arrange his accounts to show nil profit." The real crime was the low level of benefits paid to claimants.

to be accepted generally that, this time, they are not going to organise a major campaign of resistance. And organisation is their most effective weapon.

The next general election is too close, the Militants too unpopular, the union leaders too determined, for it to be worthwhile.

"There's all running for cover," one senior Militant supporter commented bitterly yesterday.

The decision on Sunday by the Transport and General Workers to support the register dashed the Militants' remaining hopes of winning yesterday's vote. They now fully expect moves to expel members of the Militant editorial board and probably the eight Militant supporters who have been selected as parliamentary candidates.

This, the Militants say, will lead to an enormous backlash at grassroots level — among constituency parties and trade unions — which will eventually bring them back to the party with redoubled strength.

But the view among left-wing MPs is different. Many of them regret the register and predict trouble in a few staunchly Militant areas, such as Liverpool and Brighton. But these areas, they say, will be isolated — a few constituency parties may be disbanded and the Militants will be a spent force.

The Militants are preparing to make things as tough as possible for the new national executive committee, which will have to implement the conference decision. Most of their parliamentary candidates have already severed all formal links with the Militant newspaper and its publishers, removing the grounds on which they could be identified as belonging to the "inner core."

But apart from the Young Socialists, the Militants appear to have few allies ready to do more than make sympathetic noises, which may embarrass but are unlikely to obstruct the NEC.

Margaret van Hattem

Benn denounces 'fascist ideas'

MR TONY BENN has attacked three popular national newspapers for putting out "ideas associated with Fascism." He told a fringe meeting on the eve of the conference that the Government's handling of the Falklands campaign had led him to reread Mussolini's autobiography, Hitler's Mein Kampf and Hitler's writings.

"What I am saying, and please understand me, what I am saying is this and no more, is that the ideas of fascism and the idea that you must crush domestic debate, that was Mussolini's great case for marching on Rome."

"The idea that trade unions are nothing better than thugs who must be crushed and the idea that you must glorify militarism and nationalism, these

ideas which were associated with the fascism of the 1920s and '30s, are now appearing day after day in the Sun, Express and Mail."

He added: "Whatever you may think about the decision on the task force, and I was wholly opposed to it from the outset, the use of war and militarism in Britain for domestic and political purposes, was one of the most frightening things any of us will have seen in this country."

"The fact that day after day these poor wretched soldiers and sailors who have come home after being greeted as if they were returning from the Boer War or Zulu wars is an episode that I thought had been buried away in the days of Victorian imperialism."

Mr Benn added that for the Labour movement to succeed greater unity of the Left was needed in Britain. "That's why we want to see the Labour and trade union movement working closely together, as we did on the day of Action, and that is why, I might add, we don't want to expel good socialists from the party at this particular moment."

Trade unionists to pay more for party membership

THE DEFICIT of £320,000 reported in the party's general funds, compared with a deficit of £165,000 in 1980, led to heated debate at the conference yesterday. It resulted in approval of a 5p per member per year increase in affiliation fees for organisations other than constituency parties from January next year.

Some 48 trade unions with a total membership of more than 6m are affiliated to the party.

Mr Eric Varley, introducing the proposals from the national executive committee for eliminating the deficit said: "For too long we have lacked the political and administrative will to match

expenditure to income."

Mr Alex Kitson, of the Transport and General Workers Union and chairman of the NEC's finance and general purposes committee, said the gravity of the financial situation had caused him to be summoned by the party's bankers.

"Unless something is done financially within the party, we are going to be in great difficulty within the next three to four months."

The party's chief auditor, Mr Vic Lloyd said that scapegoats could not be found among the party's office staff as they only did what they were told to do by the NEC.

Two delegates said that those on the left of the party should not be blamed. Mr Dave Nellist, of Coventry South East constituency party and a prospective parliamentary candidate, said working people would give the party money if they were convinced it was a socialist party.

Mr Paul Harford of Redcar said: "The lessons we have to learn is that socialist policies can build us membership. Socialist martyrs are not going to build the finances of the party."

Mr Varley said there were several reasons for the deteriorating financial position. First

was the backdated pay settlement to head office and regional staff bringing salaries in line with the TUC. Because of this a restructuring exercise took place which resulted in unbudgeted expenditures. "The result is that we are now paying our staff better than at any time in the history of the party."

Moving the party's headquarters to Waltham Road in London had cost an extra £250,000 a year in rent and rates. The NEC had approved a plan to eliminate the overdraft by the end of 1983 which entailed a turnaround of £300,000. Some administrative changes

might have to be made. If necessary these would be brought to conference next year but, at present, the NEC was looking to increase income by raising affiliation fees to 50p from the present 45p.

To fight a general election Mr Varley said the party needed about £2m and appeal fund would be established soon with a target of £1m for the end of this year.

Members could also help by buying Labour Weekly, the party's newspaper which in July last year sold 19,100 copies, but only 16,260 in the same month this year. Its deficit in 1981 was in excess of that budgeted for."

Mr Stephen Carr of Polesden

constituency party rejected what he called "the Tory approach." The main mechanism for restoring the cash position had to be investment and expansion. It was nonsense that the party did not have a full-time membership officer or a full-time professional fund-raiser.

Mr David Barnett of the General and Municipal Workers Union said: "We are doing our utmost to support the party."

He promised support for the general election fund and said the £2m would be raised by next year. "If an election was to be won there was a need for organisation, money and administration, but most of all, there was a need for the will to win."



Albert Spanswick: ready for prolonged battle

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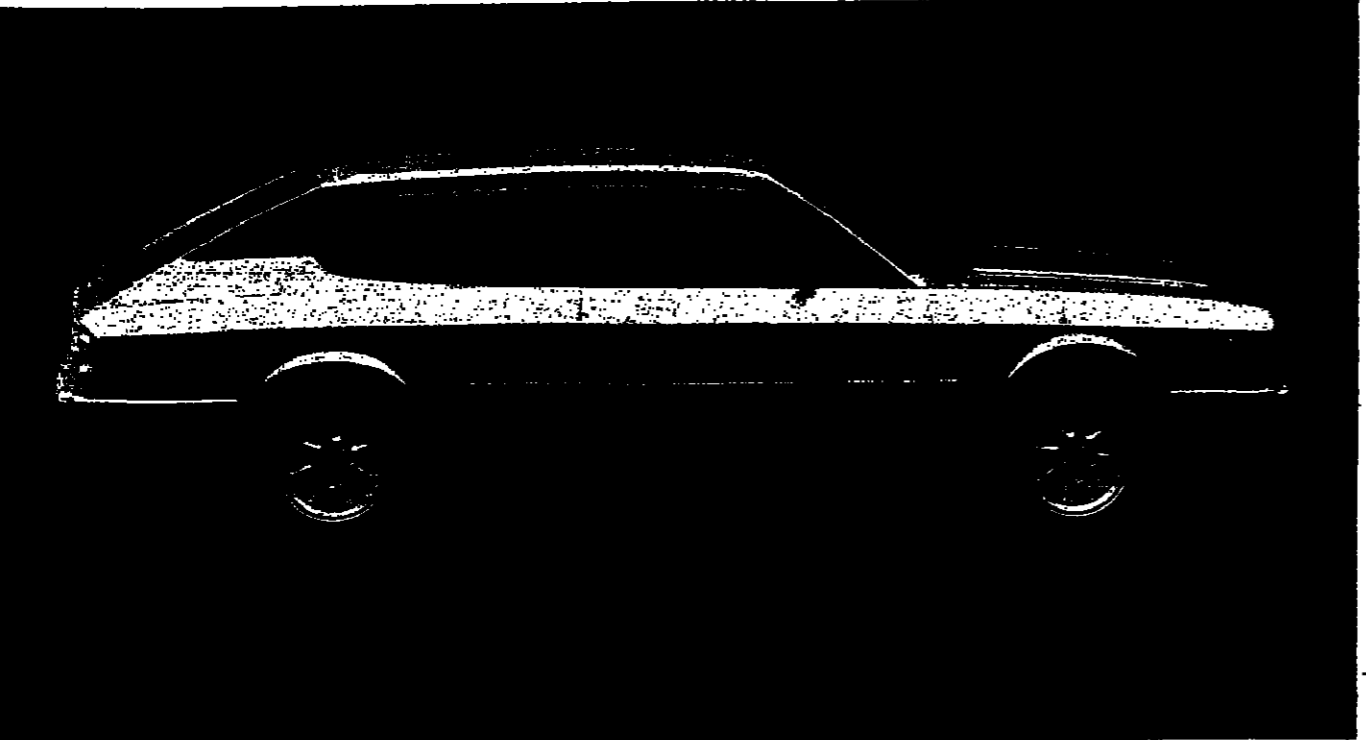
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DELTA. The Delta was voted Car of the Year on its first appearance in 1980 by the world's motoring press. Compact and classic in line it is also totally practical and functional without sacrificing driver or passenger comfort. Equipment includes 1500cc overhead cam engine, five speed close ratio gearbox, high quality velour upholstery, independent suspension all round, front wheel drive, and six year anti-corrosion warranty, and 1 year's RAC membership. (The alloy wheels illustrated are available as an optional extra.) Price from £5,429.



COUPE. In the 1950's Lancia introduced the first Gran Turismo in the shape of the Aurelia: a coupe of unusual elegance, power and performance. Above, you see the new heir to that first Coupe. It sports a powerful 2000cc twin overhead cam, fuel injected engine mounted transversely. All round independent McPherson strut suspension. A five speed gearbox. Front wheel drive. A superduplex braking system that has discs all round. Alloy wheels. Low profile Pirelli P6 tyres. Electric windows. Power steering. A six year anti-corrosion warranty, and 1 year's RAC membership. A sliding steel sunroof. 0-62mph in 10 seconds flat. And a top speed of 116mph. Price from £6,995.



HPE. Both the 1600cc and 2000cc versions share all the elegance, performance and standard features of the Lancia Coupe with the additional convenience, extra passenger space and load capacity of an estate car. These standard features include all round independent suspension, a five speed gearbox, alloy wheels, power steering, individually folding rear seats which when down offer you 42 cu. ft. of space, as well as a six year anti-corrosion warranty. While on the 2000cc version there's also a twin overhead cam fuel injected engine, electric windows, sliding steel sunroof and figures of 0-62mph in 10.2 seconds and a top speed of 112mph. Price from £6,910.



TREVI. In the Trevi Lancia have taken the three box saloon and created a car that in terms of design, manufacture and finish is pure Lancia. There's the well proven 1600cc and 2000cc twin overhead cam engines giving the 2000cc model a top speed of 112mph, and 0-62mph in just over 10 seconds. Equipment includes all round independent suspension, front wheel drive, five speed gearbox, velour upholstery, a six year anti-corrosion warranty, 1 year's RAC membership, and, on the 2000cc version, alloy wheels with low profile tyres, sliding steel sunroof, power steering and the option of automatic transmission. Price from £6,620.



GAMMA SALOON. The Gamma Saloon was designed by Pininfarina to carry five adults in space and luxury. At its heart is Lancia's own 2.5 litre horizontally opposed engine which produces smooth and sparkling performance. Standard equipment includes a five speed gearbox, power steering, electric windows, tinted glass, rear seat belts, head restraints front and back, and, of course, Lancia's six year anti-corrosion warranty, and 1 year's RAC membership. Price from £9,367.



GAMMA COUPE. Designed by Pininfarina, the Gamma Coupe is in the Lancia Gran Turismo tradition: a classic 2+2. Powered by Lancia's own 2.5 litre 'boxer' engine, the long sleek lines conceal a remarkably spacious interior that is as roomy as some four door saloons. Equipment includes all round independent suspension, five speed gearbox, power steering, electric windows, tinted glass, rear seat belts, integral head restraints, and a six year anti-corrosion warranty and 1 year's RAC membership. Price from £11,900.



MONTE CARLO. The Monte Carlo turbo sports car, the racing companion to the Monte Carlo you see here, convincingly won the Division One World Manufacturers Championship. The road version shares the same basic engine, mounted centrally and transversely. Other race bred features include large disc brakes, all round independent suspension and a driving cockpit that is fully equipped for the maximum driving pleasure. Yet none of this is at the expense of interior room or comfort. And it comes with a 6 year anti-corrosion warranty, and 1 year's RAC membership. Price from £8,990.

THE LANCIA MODELS SHOWN COME WITH A SIX YEAR ANTI-CORROSION WARRANTY WHICH COVERS ALL MAJOR PARTS, AND IS SUBJECT TO ANNUAL INSPECTIONS BEING CARRIED OUT BY AN AUTHORISED LANCIA DEALER, THE COST OF WHICH IS BORNE BY THE VEHICLE OWNER. PRICES AND SPECIFICATIONS CORRECT AT TIME OF GOING TO PRESS. LANCIA MONTE CARLO SUBJECT TO AVAILABILITY. LANCIA GAMMA COUPE COLOUR AS SHOWN FOR ILLUSTRATIVE PURPOSES ONLY. PERFORMANCE DATA SOURCE: RAC SPA. EVERY NEW LANCIA INCLUDES MOTORING MEMBERSHIP OF THE RAC FOR 12 MONTHS FOR ITS OWNER PLUS WIFE OR HUSBAND.

Lancia: the driver's car.



TECHNOLOGY

EDITED BY ALAN CANE

All in a day's work for the earthquake experts

Shaking the place into little pieces

BY ROY GARNER IN TOKYO

CONSTRUCTING seven-storey buildings for the sole purpose of shaking them to pieces might seem a reckless form of scientific research, but such exploits are all in a day's work for Dr Masayoshi Nakashima and his fellow engineers.

They work in the earthquake study section of Japan's Building Research Institute at Tsukuba, the new "science city" 40 miles north-east of Tokyo.

Within a massive custom-built "laboratory" building, the Japanese have constructed what they claim are the world's largest earthquake simulation facilities.

Their aim is to learn more about the behaviour of building structures during earth tremors and hence better protect themselves from one of Japan's major threats.

Rather than leaving things to chance observation as in the past, they can now create their own earthquakes and watch the results.

Although the centre contains a variety of seismic research facilities, the centrepieces are undoubtedly the large scale test-bed. This consists of a vertical concrete block 20

metres long and 25.5 metres high and with a thickness of 6.6 metres, on either side of which are integrated floor surfaces providing a totally rigid platform upon which to experiment.

On either of these two floors, full size mock buildings up to a height of 25 metres, and with a floor area of 300 sq metres can be constructed. Hydraulic jacks built into the central concrete block are used to rock the structures horizontally.

Swathed in wiring, the building under test sways back and forth, the jacks providing up to two metres maximum "travel." Sensors attached at strategic positions feed information on the stresses and strains being produced through to a battery of computers in an external control room.

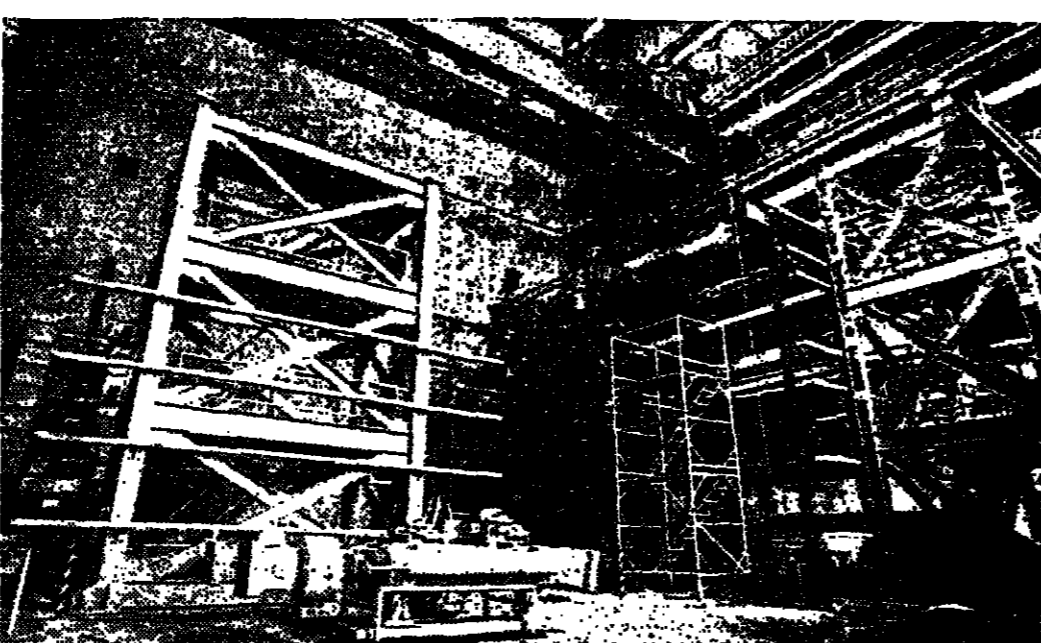
The swaying is normally conducted in slow motion, and the equivalent of one second of a simulated quake can last up to four hours in practice.

Once the test is in progress only three people are required to operate the computer supervised closed-loop testing system, and to keep an eye on the TV monitors which give visual access to especially crucial sections of the structure.

Computer control is needed not only because of the complexity of the measurements to be made, but also for safety reasons. An instant warning of imminent structural failure is essential to safeguard those in the vicinity of the test-bed, and such failure often arrives without any visible sign.

Sometimes the degree of movement simulated is little more than a vibration, and test programmes often continue for many weeks before each mangled and buckled edifice finally ends its useful life. This spectacular wreckage can be seen piled up in something akin to a building graveyard, in one corner of the laboratory.

But with some buildings now going up to 60 stories in Japan, one might ask why no structure of skyscraper dimensions has been built for shake tests. In fact, one did nearly come about. When the institute was



The Tsukuba earthquake simulator test-bed. The concrete anchor wall is in the background, with the mock building on the right and the vibrator jack in the foreground.

planning the relocation to its present spacious site from its old HQ in downtown Tokyo, the government asked for an outline of the new facilities it preferred.

One proposal was for a 40-storey building demolition test-bed. The plan was dropped because the huge cost could not be justified by the limited number of structures the findings might be applied to. The choice of a seven-storey capacity unit was made because it offered results which could be directly related to a very high percentage of buildings in Japan.

Scale models offering a ratio of 1:2 can give quite accurate projections for structures of up to about 20 storeys. Beyond that height, according to Nakashima, structural technology becomes very specialised on all fronts, and is heavily related to unique local factors. Nakashima points out that they have concentrated on the study of buildings, ahead of other structures such as bridges, because they are seen to have a more immediate bearing on public safety.

The Japanese Government provides the institute with a total annual budget of about \$5m and a further \$250,000 is contributed by other agencies for special research projects.

Earthquake fault lines show no respect for national boundaries however, and it is, therefore, fitting that the seismic

test department of the institute is home for what Tsukuba researchers describe as the most successful fully integrated joint international project yet attempted in Japan.

Under a U.S.-Japan co-operative research programme, the U.S. has contributed considerable funding and some of its leading experts in seismic research for a lengthy project at the Tsukuba centre.

American and Japanese "do the same work at the same desk," as one engineer put it. In addition, there is a special training programme for students from overseas offering courses in the principles of earthquake engineering and seismology to about 20-25 participants per year.

Large scale seismic tests have been conducted for nearly four years now, as the research is very long-term, involving extended data processing. Concrete results are at least a year away, according to Nakashima, although "personal opinions abound."

The motivation to get results fast is undoubtedly strong. Japan is highly earthquake prone and Tokyo, which has 50 perceptible earthquakes per year, is especially at risk with its concentrated urban sprawl. In September this year the Government's Administrative Management Agency, the senior body responsible for counter-measures against earthquakes,

announced that present contingency planning is "defective," and a newspaper columnist went further to say that anti-disaster measures are "extremely insufficient."

The occasion for this criticism was the 59th anniversary of the 1923 Great Kanto Earthquake, which registered 8.3 on the Richter scale, and left more than 100,000 dead and 2.5m homes destroyed in the Tokyo region.

A senior spokesman of the Earth Research Division of the Construction Ministry said in May that, after recent studies, he considers an occurrence of a 6.5 magnitude earthquake in the Northern Luzon peninsula, close to Tokyo is "undeniable in the next two or three years."

Although many present day forecasts offer considerable protection against earth tremors, largely through "over-building" with heavy steel frameworks, estimates of damage in a severe quake vary.

During a recent survey of counter-measures in one provincial city, prefectural authorities submitted a damage estimate of 64,000 houses destroyed, while the city authorities came up with an independent figure of 328,000.

The Tokyo Government estimates that a 1923-type quake would claim 36,000 lives and cause 300 fires, which is understandably regarded with some scepticism.

VIDEO AND FILM

Quality—the next target to beat the pirates

BY JOHN CHITTOCK

A LITTLE over 20 years ago, it was inconceivable that hi-fi would become a mass consumer product. Enthusiasts in search of perfection in sound had to build their living rooms around the loudspeaker system to provide the perfect "enclosure" (to baffle sound waves coming from the rear of the speakers).

Britain had an enviable lead in that specialist art, with the world's pioneering design for a hi-fi amplifier (published in Wireless World by D. Williamson) and unbeatible manufacturers such as Wharfedale, Quad and Partridge.

Fuzzy pictures

The mass appeal of quality in sound, helped by the Japanese, changed all that. Yet the current consumer boom in video has occurred through a technology which has been characterised by appalling quality—often fuzzy pictures, dreadful sound, spurious flashes, moiré patterns and tonal defects.

Some later generation machines have even sacrificed picture sharpness in a trade-off for extra facilities or so-called "bells and whistles."

Thankfully, growing numbers of people in the video industry are beginning to recognise that quality—in picture and sound—should become the next major goal. If the consumer could be educated to recognise higher standards—as happened in hi-fi—what boost might this give to the industry? And what a blow this could deliver to the video pirates, whose illicit copies are almost by necessity inferior in picture quality.

Ultra-violet

The result is very disturbing. Of course, the laboratory which carried out this exercise emerges with flying colours—the other three with colours of varying hues. The faults reach their extremity in one copy, which has a colour cast similar to the yellow ultra-violet sunshade in a draper's showwindow.

Other problems in all three comparison copies are of the type to which every video viewer should be sensitive (but generally isn't). Poor definition, loss of contrast range so that highlight areas bleach out and shadow details block up, excessive "noise" on the picture—that is, sparkle in dark areas especially blue shadows.

The distributor of the feature films co-operated in this experiment and I have confidence that no dirty tricks were played! It highlighted where

Video duplicating is a skilled business, involving expensive equipment which requires daily maintenance and adjustment. Regrettably, not all video duplicating houses are equipped with state-of-the-art equipment, and there are still some who have not the skill or the determination to get the best out of their systems.

The problem is compounded by the competitive nature of the business, with duplicating costs (excluding tape) now as low as £1.50 or even less per copy of a feature film on large orders.

Quality—the next target to beat the pirates

I have seen enough bad quality cassettes in recent times to draw my own conclusions, but assessment of quality is a hazardous and almost subjective art because one never can be sure how much blame to attach to the original material from which the copies have been made.

Recently, however, a cassette came into my hands with extracts of three feature films—all transferred from good quality 35 mm prints, each by a different video duplicating house.

A fourth video duplicating company also made transfers of the same three sections. These transfers were all made, as the process demands, on to one-inch broadcast-standard videotape; this provides the duplicating master which feeds the tens or hundreds of slave machines on which copies are run off (in real time).

Armed with four one-inch masters, the last video duplicating house prepared a VHS videocassette copy in which the screen was split into two halves—the left-hand taken from one master, the right-hand from their own master. A direct comparison of quality was thus possible.

Slave machines

With the arrival of stereo sound for video, the duplicate houses now have a further challenge. One—Kay Laboratories—has been demonstrating its answer, using new Panasonic slave machines and achieving very impressive results.

If hi-fi pictures and sound can be introduced into home films co-operated in this experiment and I have confidence that no dirty tricks were played! It highlighted where

video boom is flattening out.

can be introduced into home films co-operated in this experiment and I have confidence that no dirty tricks were played! It highlighted where

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video boom is flattening out.



Dr Nakashima

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DKB ECONOMIC REPORT

September 1982: Vol. 11 No. 9

Amid expanding budget deficit, options are severely limited for policy makers in Japan

With exports falling and domestic demand staying slow, there appears to be no immediate solution to a host of problems besetting the Japanese economy. In addition, concern has emerged that the weakness of the yen could eventually start affecting price levels and corporate results.

While the yen has been responding nervously to the developments in the U.S. monetary policy and international financial situations, including Mexico's trouble, it is yet to shake off its weakness. Given the extreme sluggishness of domestic markets, the yen's weakness will not immediately translate into a rise in prices of domestic goods, but its prolonged weakness will eventually start affecting them.

It already is putting a serious squeeze on energy-related enterprises, like oil refiners and power generation companies, through increased costs of raw materials and fuels.

At the moment, domestic prices are very calm. Wholesale prices rose 0.2 per cent in June and 0.6 per cent in July, but the rise was almost exclusively attributable to higher import prices, especially those of crude oil and coking coal. The rise of domestic product prices in July was a marginal 0.2 per cent. Prices of basic materials rose 1.9 per cent, intermediate products 0.5 per cent, and finished products 0.2 per cent. These trends indicate that the impact of the yen's weakness is still limited to the upstream of the production process.

Consumer prices are also exhibiting an unusual calmness. The index for June remained unchanged from that for the preceding month and was up only 2.2 per cent from a year earlier. In July, prices grew even more subdued, with the index dipping 0.8 per cent from June and its year-to-year margin narrowing to 1.9 per cent.

Exports slow

Exports in dollar value on a customs-basis dropped 1.3 per cent in July from the previous month after seasonal adjustment. The drop followed a 6.5 per cent decline in the April-June period from the preceding quarter. Likewise, imports in July fell 0.9 per cent from July following a 10.4 per cent drop in the April-June period. Both exports and imports fell for the sixth consecutive month in a year-to-year comparison, with the decline being particularly precipitous after May.

The slump of exports has been caused by a combination of stagnant overseas economies, trade frictions, and dwindling foreign currency holdings of oil-producing countries.

By product category, electric appliances and automobiles continued to be sluggish, while ships dropped sharply by 32.8 per cent from a year earlier due to the depressed shipping market. (They were down 26.3 per cent during the May-July period from a year earlier.)

Low imports were attributable largely to a sharp drop in crude and raw oil.

For the first seven months of this year, exports declined 5.0 per cent from a year earlier. So did imports by 6.2 per cent. Export letters of credit received, a leading indicator of exports, also dropped 7.3 per cent in July from a year earlier. It is increasingly likely that the total value of exports and imports during 1982 will end up behind the 1981 figure.

Capital investment dwindling

With the business outlook growing in severity, corporate capital investment is estimated to grow by a marginal 1.7 per cent during the six months to June, and fall off by 1.8 per cent in the following six months, according to an Economic Planning Agency survey announced August 6. It also noted that variances in the rate of growth of investment according to the size of firm are bound to be enlarged: it is only big corporations, especially those with capitalization of ¥5 billion or more, that are slated to mark a steady increase in capital investment. However, as economic stagnation gets protracted, capital investment is cooling not only at smaller firms, but at big ones as well.

Capital expenditures are generally slack in the manufacturing field. So are they in the non-manufacturing sector, with the exception of power generation, construction, banking and insurance, and services.

Orders for machinery

Private orders for machinery, a leading indicator of capital investment, dropped 13.7 per cent in the second quarter from the prior period. Orders placed by power generation companies fell 52.8 per cent in reaction to a sharp 112.8 per cent rise in the preceding period, while orders for ships continued to fall, by 82.5 per cent following a 11.7 per cent decline in the preceding period. Private orders, exclusive of those placed by power companies and those for ships, dipped 0.3 per cent for two consecutive quarters. The machinery industry forecasts a continued decline in private order awarded in the third quarter.

Personal consumption up

While most indicators continue to move downward, personal consumption seems to be on a path of moderate recovery. But there is a major problem noted at the same time.

Sales at big retail outlets (like department stores and supermarkets) in June marked a 6.6 per cent rise over a year earlier, but those at department stores in Tokyo in July ended up with a marginal 1 per cent gain because of slack sale of summer goods due to unusually cool weather preceded by a longer-than-normal rainy season.

During the first six months of 1982, disposable income after inflation grew 2.9 per cent from the preceding six months. The gain took place after two periods of drop—0.8 per cent in the first half of 1981 and 1.1 per cent in the second half.

An important factor behind this gain was an increase in income, averaging 7 per cent, coupled with a calm trend of consumer prices. As a result, real consumer spending in the first six months of this year registered a gain exceeding 3 per cent for the first time in three years.

It is still premature to pass judgment as to how long this trend will sustain itself. Labor Ministry surveys show that both this year's gain in summer bonuses and wage settlements are smaller than the comparable percentages for last year. Prospects for winter bonuses are dim. It is likely, therefore, that disposable income this year will not grow as fast as it did last year.

Moreover, the percentage of non-consumption expenditures (like tax and social insurance premium) to net income has been fast growing—15.3 per cent in the first half of 1982 compared with 14.1 per cent a year earlier and 10.9 per cent five years before. This is turning out to be a major drag on consumption expenditures.

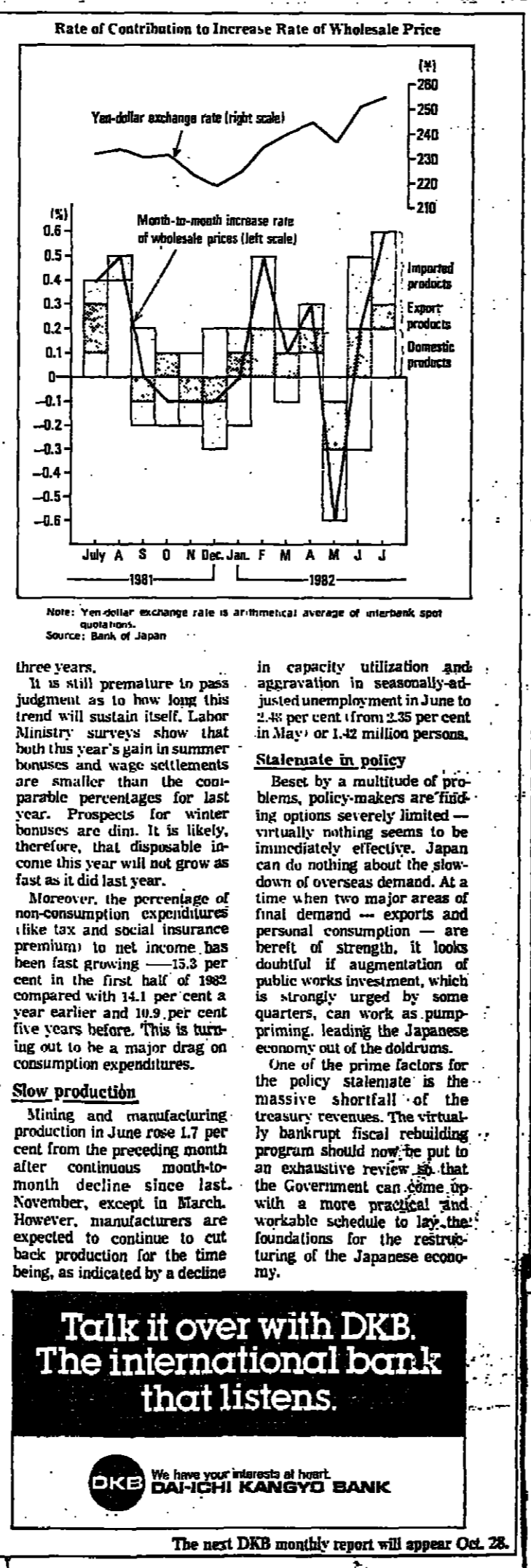
Slow production

Mining and manufacturing production in June rose 1.7 per cent from the preceding month after continuous month-to-month decline since last November, except in March. However, manufacturers are expected to continue to cut back production for the time being, as indicated by a decline in capacity utilization and aggravation in seasonally-adjusted unemployment in June to 2.4 per cent (from 2.35 per cent in May) or 1.42 million persons.

Stalemate in policy

Beset by a multitude of problems, policy-makers are finding options severely limited—virtually nothing seems to be immediately effective. Japan can do nothing about the slowdown of overseas demand. At a time when two major areas of final demand—exports and personal consumption—are bereft of strength, it looks doubtful if augmentation of public works investment, which is strongly urged by some quarters, can work as pump-priming, leading the Japanese economy out of the doldrums.

One of the prime factors for the policy stalemate is the massive shortfall of the treasury revenues. The virtually bankrupt fiscal rebuilding program should now be put to an exhaustive review so that the Government can come up with a more practical and workable schedule to lay the foundations for the restructuring of the Japanese economy.



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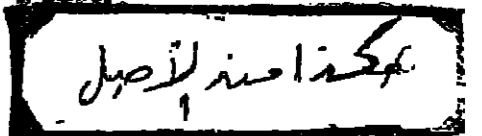
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FINANCIAL TIMES SURVEY

Tuesday, September 28th, 1982



CANADIAN BANKING AND FINANCE

Canada and its financial institutions have had their fair share of trouble this year: recession and shaky loans at home and abroad have taken their toll. The banks need a period of consolidation. Economic and prudential considerations are coming to the fore, but the underlying strength of the system remains

Waiting for a better climate

By W. L. LUETKENS

POOR LITTLE rich girl, Canada quite recently was regarded as the country of the future. Its banks were towers of strength in the world financial system. Now all is supposed to have changed. The economy is in distress. The banks have been caught badly off guard in a world where sovereign risk has turned out to have a real element of risk. At home a spate of insolvencies and the often-rehearsed liquidity problems of Dome Petroleum and Massey-Ferguson have caused the volume of bad or problematic loans to rise drastically.

The political and economic climate in which the banks and other financial institutions have to operate has become at best uncertain or outright bad. Unemployment is at its highest since the war; hardly any progress has been made against inflation. The standing of Mr Pierre Trudeau, the Prime Minister, and his Liberal Party is low indeed; its policies are something of an enigma.

Foreign investors, whom Canada needs to develop its

potential and to balance its external accounts, regard the country with suspicion because of a critical attitude to direct foreign investment in Canada, and a national energy policy intended to end U.S. majority control of the Canadian gas and oil industry by 1990. The nationalist traits have not been much in evidence this year, but the pendulum could swing again. Only events will show the implications of a two-phase Cabinet shuffle begun in September.

Thus there are plenty of problems that require attention. But that should not obscure the fact that many of them are either passing or not peculiar to Canada. Not only Canadian banks have burnt their fingers in Mexico and other countries jolted by the weakness of the world oil price. Bankruptcies and near-bankruptcies have occurred elsewhere, too.

So has unemployment: the Canadian rate of 12 per cent is not the highest in the industrialised world (and, moreover, because of different ways of calculating it, there is a rule of thumb that you have to deduct some two percentage points from the Canadian figure to make it comparable with those from Europe).

Gravity

The temptation is strong to overestimate the gravity of the difficulties in all but the short term. The recession will not last for ever. Canada does meet 80 per cent of its oil needs from domestic sources and there are potentially commercial reserves of oil and gas off the Atlantic coast. The energy bubble of the mid-1970s may have burst, but

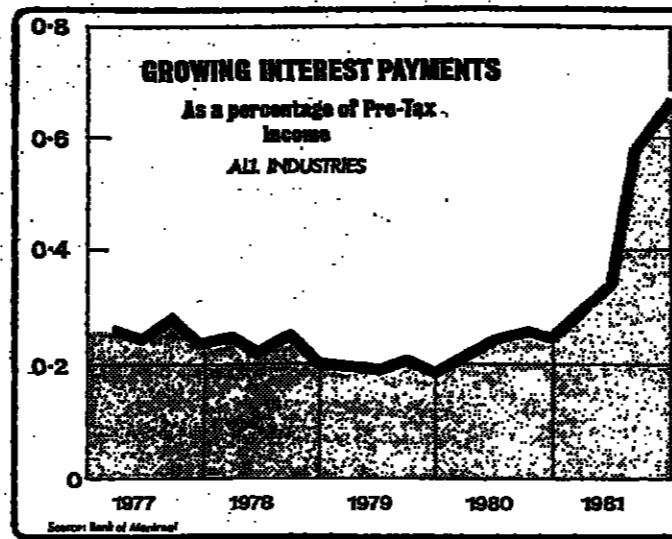
oil is still oil. A rather similar pattern is presented by the banks. In their case, too, a bubble has burst. The rapid growth of assets, especially of foreign assets, has slowed to 10 per cent this year, or less than the rate of inflation. A lending spurge to finance takeovers and real estate development has abruptly ended.

As already noted, this slowdown has left bankers with a large book of dubious or bad loans. Actual loan losses of C\$850m (about £405m) last year, compared with aggregate assets of C\$641bn on October 31 last, may swell to something in the region of C\$2bn this year, though that figure is only an informed guess.

The interest cycle has added to the banks' discomfort. Declining rates act more quickly on the liabilities side than on assets so that margins have suffered. Overall bank profits have fallen by 20 per cent since the current year of account began on October 31 last. The fourth quarter may steepen that decline.

But as in the case of the economy at large, one should not lose sight of the wood for the trees. The Finance Committee of the Canadian House of Commons, in a recent report, judged the banking systems to be sound, though it did express concern about excessive lending—now largely under control—and about deteriorating capital ratios. Perhaps the committee had no choice: a more critical judgment could have backfired seriously.

None the less, the committee's view carries weight. The big Canadian banks are constructed on the British multi-



branch system and have a firm deposit basis. They have been spared repetitions within Canada of the fraudulent or near-fraudulent scandals that have hit banks in the U.S. In the boardrooms the need for consolidation has been recognised by setting loan limits and by attacking over-

Some of the circumstances are working in the banks' favour. The great takeover wave is over and so is the scramble to finance oil and gas development even where the prospect of an early return was dubious.

The hangover remains, but it has brought home the need for consolidation and prudence. There may even be a small consolation prize. As one prominent banker remarked wryly, the eagerness with which some

banks jumped on to the takeover bandwagon when it was already rolling last year disproves the allegation that Canadian banks do not compete with each other.

Inevitably there are elements of oligopoly in a system where five big banks do almost 90 per cent of the lending. Recent experience shows that these elements need not be an altogether bad thing. The traditional Canadian pattern is for one customer to deal with one bank: loan syndication is a comparatively recent development. It is likely to be accelerated because individual loans—and risks—are increasing.

Yet the official line is that a little more competition will not hurt. That is one reason (there are others) why foreign banks have been allowed to set up in Canada (though under severe

restrictions, dealt with in a special article of this survey). The wish to encourage competition also explains new draft legislation to enable trust companies to expand their commercial lending to 15 per cent of assets, as against a limit now of 7 per cent on commercial and consumer lending together.

Trust companies are a power in the land, holding assets of C\$68bn, mostly in mortgages, and providing almost complete retail banking services. The interest cycle has given them a rough ride recently, but unlike their equivalents in the U.S. they have not become hopelessly locked into long-term mortgages at low interest rates.

The traditional pattern in Canada was for mortgages to be re-negotiated every five years; now the one-year or even six-month mortgage has taken over. British-style floating mortgage rates have so far been believed to be excluded by the Canadian Interest Act, but that interpretation is being re-examined in Ottawa.

On the broader stage of the economy at large, whose underlying strengths have already been described, policymakers must also do some thinking. The current external account may have improved sharply this year, but structurally Canada needs capital imports to pay for its development. Though some Canadian borrowers have had their ratings reduced this year, Canada still is a welcome borrower in international markets. Last year Canadian bond issues brought in gross capital imports of C\$13.2bn.

The trouble is not only a rising tide of external debt service, but a change in the mix of portfolio and direct invest-

ment from abroad. The share of the latter has declined steadily over the years. For that to alter, Canada will have to do something to change its image in the international business community.

To that community, and especially to the Americans, the attack on foreign ownership in the Canadian oil industry and the Foreign Investment Review Agency have become like red rag to a bull. Fira advises the Canadian Cabinet whether direct foreign investments shall be authorised or barred. In most cases it says "yes," but nevertheless has become a symbol of Canadian nationalism and interventionism whose fierceness is probably over-estimated abroad.

Reluctant

Equity capital is needed not only from abroad. Debt-equity ratios in Canadian industry have declined steeply over the years and the effect has been enhanced by the reluctance of corporate treasurers to take on long-term bonded debt at prevailing high rates of interest. Instead they have looked for bank credit—a factor that has contributed to what now looks like an unhealthily fast expansion of bank balance sheets in recent years.

These are distortions caused by inflation rather than anything specifically Canadian. But they do draw attention to Canada's poor performance against inflation. Though monetary policy has been austere for a long time, it is only recently that a serious attempt has been made to swing fiscal policy into line.

So there is plenty of work

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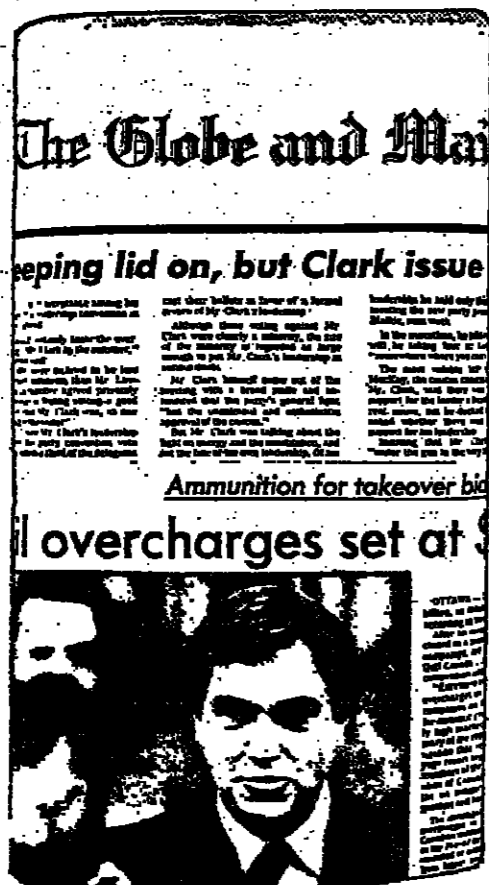
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marked out for the new Finance Minister, Mr Marc Lalonde. When he was sworn in on September 10 he made all the right noises to soothe the business community, to whom he has been something of a bete noire. Beating inflation was the main policy objective, he re-affirmed, differing from several provincial Canadian premiers and from labour leaders who want a reflationary dash for growth.

Business will take some convincing of Mr Lalonde's good intentions. He is the man who put through the National Energy Programme and he has the reputation of being a nationalist and interventionist. But above all he is loyal to Mr Trudeau and will carry out the Prime Minister's wishes.

The trouble is that Mr Trudeau is unpredictable. He has damned and imposed wage and price controls at different times; he has frowned and smiled upon the nationalists. His recent public statements are all in favour of austerity and a programme of voluntary price and wage restraints. But his popularity with the electorate and that of his party are at a very low point. Dramatic gestures are therefore not to be excluded.

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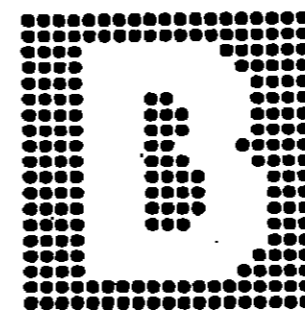
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CANADIAN BANKING AND FINANCE II

The Trudeau Government hopes voluntary wage restraint will counter inflation. W. L. Luetkens explains why

Economic recovery may prove to be weak

SOFTLY, SOFTLY, while the outside world took very little note, one of the chief Canadian economic indicators has improved out of all recognition. The external current account, for long in deep deficit, has moved towards surplus.

In the first half of this year this surplus came to C\$1.6bn (about £760m) on a seasonally adjusted basis. Two questions immediately spring to mind: is that good, and can it last? The answers in both cases are mixed.

The current surplus has taken some of the pressures off economic management, in particular the exchange rate. While it is nowhere near the parity with the U.S. currency reached in the mid-1970s, the Canadian dollar has been relatively strong. But current payments are not sufficiently in surplus for the Bank of Canada to have been able to allow interest rates to fall below those in the U.S. The volatility of short term capital is too great for that. If those funds were to flow to Wall Street, the exchange rate would fall, adding to the already considerable inflationary pressures in the system.

There is a more fundamental reason for quibbling with the current account figures. The improvement is due to a rapidly rising surplus on the merchandise account, caused in its turn by a slump of imports while Canada is in recession.

As against that, exports have held up remarkably well, despite the odds. Imports this year are down by 13 per cent compared with last year's results, whereas exports have increased marginally by 1 per cent.

Three areas have been the main contribution to this relative success of Canadian exports. The motor industry has profited from U.S. demand for large cars at a time of weak petrol prices, since several Canadian branch plants of the U.S. motor manufacturers make gas guzzlers. The Canadian lumber industry, though in a state of distress, has increased U.S. sales as housing starts there have picked up.

Poor harvests

Wheat exports have profited from Soviet buying, explained in part by poor harvests in the Soviet Union and in part by Moscow's wish to diversify sources of supply, away from the possibly embargo-prone U.S.

How durable the improvement of the Canadian current account is going to be is another and more serious question. The odds are that once the Canadian economy turns up again, after four successive quarters during which Gross National Product has declined, the merchandise surplus will shrink rapidly.

Economic expansion sucking in exports is a normal international pattern. But in the case

of Canada the effect is enhanced by the structure of the country's trade. Canada is to a great extent an exporter of primary products and invariably runs a large deficit on its trade in manufactured goods.

The implication is that when economic recovery comes, the current account will be in trouble again. The effect may, however, be cushioned by greatly reduced expectations for the country's medium-term future. A year ago the air was thick with talk of 40 multi-billion development projects, largely in the energy field. The recent decline of the world oil price has reduced those hopes.

Manufacturing industry, especially in Ontario, will suffer from these reduced expectations but the current account could profit from lessened demand for capital goods.

That aside, Canada is, structurally speaking, a country which does normally run current deficits, balanced by capital imports. The reason is that it has a large resource base still in process of development.

As long as imports of long-term capital went into equity and productive things there was no harm in an increasing overall international debt. But of late the tendency has been for an increasing share of imported capital to be fixed interest rather than equity investment, and for much of the borrowing to serve fiscal purposes rather than increasing the capital stock.

As a result, the bill for interest and dividend payments remitted abroad has risen steeply: in the second quarter of this year it reached a record amount of C\$4.3bn. That burden will take some carrying once the current account, as it is likely to, reverts to its usual deficit.

If the effect of recession on the current account has been dramatic, its effect on the inflation rate has been a good deal harder to detect. Consumer prices have risen by 11 per cent in a year and show little sign of flattening out. Although the unemployment rate has topped 12 per cent, wage settlements have been running at 12-13 per cent, as against 6-7 per cent in the U.S., Canada's main customer and competitor.

What that means for industry can be deduced by looking at the index of industrial selling

prices, which has been rising by only about 6 per cent annual rate of late. Plainly, there is a fierce profit squeeze. Investment intentions have slumped, with the secondary effect that demand for credit (other than distress lending) is weak. Loan losses suffered by the credit institutions are high.

The other source of pressure on industry is the high level of interest rates, even if they began coming down in the late summer. The result is a serious erosion of the equity basis of Canadian industry, which goes well beyond the crises of particular large companies that have been publicised internationally.

When will matters improve? Canadian forecasters expect an improvement around the turn of this year but admit that it will be modest only. The Conference Board of Canada has forecast an increase of GDP next year by 3.1 per cent in volume terms, after a decline of 2.8 per cent in 1982. It pins its hopes on export demand—meaning a U.S. recovery—and on a recovery of consumer spending.

Effective

For both factors in that equation to become effective, Canada will have to bring down its inflation rate, not so much absolutely—important though that is—but relative to the U.S. The present Canadian rate (as measured by the consumer price index) is almost four percentage points higher than the U.S. rate.

Government fiscal policy turned anti-inflationary in 1981 when an attempt was made to reduce the budget deficit steeply. But the budget of last November was soon overtaken by events. Recession slashed tax revenues; unemployment pushed up the cost of benefits; and the hoped for increased take from levies on oil did not materialise in the face of weak demand.

A new budget was brought in in July and the prospects are that the deficit for the current year will come close to C\$30bn, or almost twice as much as foreseen in November.

Together with the budget in July, the Trudeau Government announced a wage restraint programme. Wage increases in the public sector were to be held to 6 per cent this year and to

5 per cent in 1983; so were increases of prices charged by enterprises under government control or regulation such as rail fares. Provincial Governments and the private sector were to be asked to follow the example.

This programme has been held up to a fair amount of ridicule because it contains many anomalies. But it has been given a favourable reception by much of business (which wants to keep down its wage bill) and by public opinion. Organised labour, or at any rate its leaders, has been openly hostile, though it must know that in the private sector its bargaining position is weak. That will probably not prevent there being a few bitter industrial disputes.

The prime purpose of the Government's "six and five" programme of voluntary restraint is to break inflationary expectations without the dubious device of mandatory controls. Mr Trudeau, the Prime Minister, can be an unpredictable man, but so far the signs are that this policy line will be maintained, combined with a policy of monetary restraint.

The Bank of Canada is responsible for monetary policy except that, under established practice, in the case of a fundamental clash with the Government, the latter would prevail. But in imposing his will, Mr Trudeau would risk causing the resignation of the Governor of the bank, Mr Gerald Boney. It is not a risk that Mr Trudeau could run lightly.

In any case, Mr Trudeau has only recently scorned the suggestion of the Canadian provincial premiers that interest rates should be brought down even if that did cause the Canadian dollar to decline. Mr Boney himself remains adamant that inflation is Public Enemy No. 1.

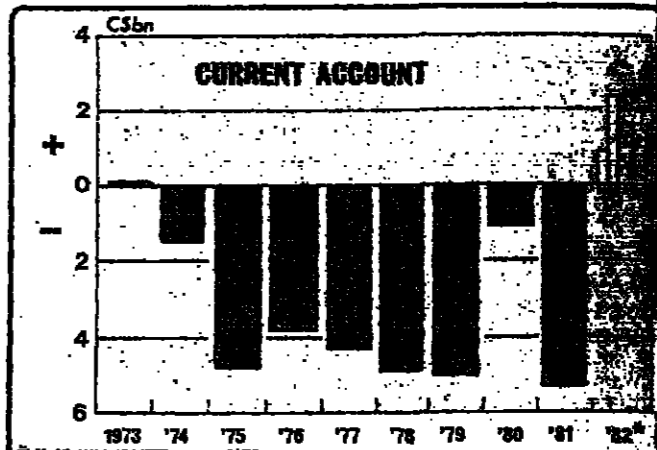
That remains true even though, in a recent lecture, he questioned the adequacy of monetary targeting as an instrument of economic management. The evidence is on his side: even though the money supply has been undershooting the target range, inflation has continued unabated.

Some observers wondered whether Mr Boney's speech meant that the bank was switching from a monetary to an exchange rate target. The differ-

	1969	1971	1973	1975	1977	1979
Liabilities	48.6	55.1	64.9	83.4	109.9	141.0
Thereof direct investment	24.4	28.0	32.9	37.4	43.7	n.a.
Assets	20.5	26.4	33.1	40.9	55.3	67.0
Net liabilities	28.1	28.7	31.8	42.5	54.6	74.0
Net liabilities as percentage of GNP	35	30	26	26	26	28

Source: Bank of Canada.

CANADA'S debt has more than tripled since the end of 1969 though, expressed as a percentage of GNP, it has dropped. The real change has been the declining share of direct investment (including retained profits) in Canadian liabilities.



Though the current account is in surplus at last, short-term capital is too volatile for the Bank of Canada to allow interest rates to fall below those in the U.S.

Shares wait for upturn in the U.S.

THE WORLD economies' severely reduced demand for natural resources has put Canada's stock market into a prolonged tailspin. The Toronto stock exchange 300 index, heavily weighted to mines and oils and major resource companies such as Canadian Pacific, peaked at 2400 in the summer of 1981 and plummeted 44 per cent to 1346 in July for the worst stock market slump since 1942.

Foreign investors have pulled out of the Canadian market and show little inclination to return. Government policies perceived as hostile to foreign investment such as the national energy programme, a record-breaking decline in the Canadian dollar and the inability to get big resource projects moving, have added to a general perception that Canada is just stumbling along.

Corporate profits are now dropping faster than in any year since the 1930s and the deep recession has yet to bottom out. Many leading Canadian companies showed a drop of more than 50 per cent in second-quarter profits. Falconbridge Nickel, for example, reported a loss of \$16.2m and analysts believe the loss this year could climb as high as \$10 a share, with more red ink again in 1983.

Dividend payout ratios have slipped steadily over the past three years. In view of the difficulty corporations are having in passing on price increases and the need to reduce heavy debt loads, dividend growth is expected to remain under pressure.

Prospects for Canadian shares depend on a world economic revival sparked by an upturn in the United States. Unfortunately, U.S. business activity remains very anaemic despite an easing of monetary policies by the Federal Reserve Board.

investment houses are restricting their recommendations to a shopping list of companies in sound financial condition. One section attracting attention is oils, a high flier which had its wings clipped by government taxes in the wake of the national energy programme and plunging world oil prices. However, massive refining over-capacity is being rationalised. Basically, the sector offers sound balance sheets and profits should advance next year.

Mr Philip Heitner, head of research at Nesbitt Thomson Bongard of Toronto, expects weakness for several weeks before a "basically rising" market takes the TSE index to 1800-1850. A proponent of oil and gas stocks, Mr Heitner says the industry is one of the most profitable in Canada and cash flow is expected to rise by 30 per cent a year through 1983.

Oil's offer a strong dash of speculative appeal. The Beaufort Sea in the Canadian Arctic remains a good geological structure despite some disappointing drilling news this summer, while the east coast offshore is acknowledged as one of the best potential fields outside the Middle East and comparable with the North Sea.

With stock trading lethargic, value was down more than 50 per cent in the first seven months—a number of smaller stockbroking firms have shut their doors. Two blockbuster mergers—Dominion Securities and A. E. Ames, and more recently Richardson Securities of Canada and Greenshields gave focused public attention on the sector's plight.

The price of a TSE seat is down to \$50,000 from a 1980 high of \$166,000. The investment industry, heavily reliant on stock trading, was \$25m in the red by mid-August. Thus the Toronto Stock Exchange, which handles about 80 per cent of total value of listed trading in Canada, decided to follow the lead of the Vancouver Exchange and seek a surcharge on commission rates. However, the recent market surge has put that plan on hold.

Securities regulators have set April 1 1983 as the starting date for negotiated commission rates in Canada. The TSE is battling to have competitive rates delayed until the end of 1983 when, it is hoped, the operating climate will be more healthy. It has already filed for right to appeal against the Ontario Securities Commission's decision in the Supreme Court of Ontario.

The jurisdictional dispute between the TSE and the OSC under the interventionist direction of its chairman, Mr Henry Knowles, has become more lively recently, following the departure of Mr Gordon Walker

from the Ontario Minister of Consumer and Corporate Affairs, which oversees the commission. The issue is still simmering, however, Mr Walker, a profile minister, often appears to take the TSE's side.

Mr Knowles, for his part, came out publicly for an expanded role for the OSC. He has industry met discussed in the open, through formal hearings.

Mr Robert Elgie, Mr Walker's replacement, is keeping it cool. Mr Knowles' term expires at year-end and the search is for a successor. The pendulum could be swinging back toward closed meetings to iron out industry problems. The Ontario government is rumoured to be looking for an industry representative to head the agency in an effort to foster good relations between the two protagonists.

The TSE—a self-regulatory body—wants to run its affairs while falling under the OSC's broad authority. Currently, the commission has the power of complete control over the exchange. The TSE objects to presenting big changes to the OSC in advance and the time-consuming hearings on new products. The exchange has applied for legislation defining the OSC's precise role.

Anti-inflationary

The TSE is also losing business to the Montreal exchange as a result of an OSC decision on the Caisse de Depot et Placements de Quebec, the organization that invests Quebec pension plan money. The caisse manager of the country's largest equity pool, has several hundred million dollars to place in equities each year.

Trading was banned because the caisse refused to file inside trading reports and the OSC claims that the agency violator Ontario's rules when it and another Quebec crown corporation took control of Domtar of Montreal in a surprise move in August 1981.

While the caisse has agreed to file insider reports voluntarily, the trading prohibition remains pending the results of an OSC hearing to determine whether the takeover was illegal because no offer was made to all shareholders. Ontario's rules require that all shareholders receive equal consideration.

The Quebec pension fund has maintained that the OSC does not have jurisdiction to regulate its activities. Ontario, however, has taken the firm position that crown corporations must follow provincial securities regulations. The jurisdictional issue is also before an Ontario court so the dispute could drag on for years.

An important event looms for the Toronto exchange: the move into the new \$24.5m headquarters one block west of the present building on Bay Street. The new trading floor, expanded threefold to 39,000 sq ft, is expected to come into operation next spring and the TSE will be the only exchange in the world to feature trading in stocks, options and futures.

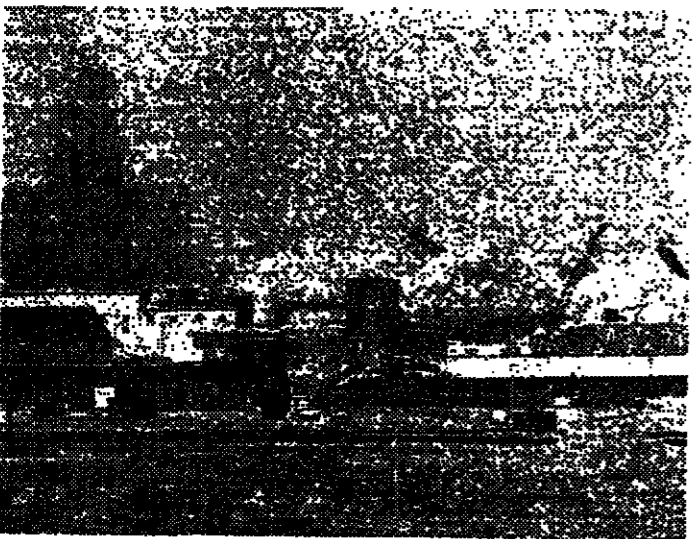
The exchange believes the new trading facilities offer the most modern technology available.

Buying spree

The recent explosion in U.S. stocks was sparked by declining interest rates. Financial institutions, fearful of missing the market, set off a buying spree that, in turn, produced a heady advance in the Canadian market.

Meanwhile, world economies remain weak and world banking continues precariously fragile. There is a real danger that other countries could suffer the same fate as Mexico which recently came within a hair's breadth of bankruptcy. The prospects indicate a constrained economic recovery at best. Accordingly, analysts are reluctant to believe that a solid foundation is there to support a sustained upswing in stock prices.

No one industry sticks out as particularly attractive, so most



Stockpiles of wood at the Reed paper mill at Quebec. Canada's industry is under pressure from the country's inflation rate

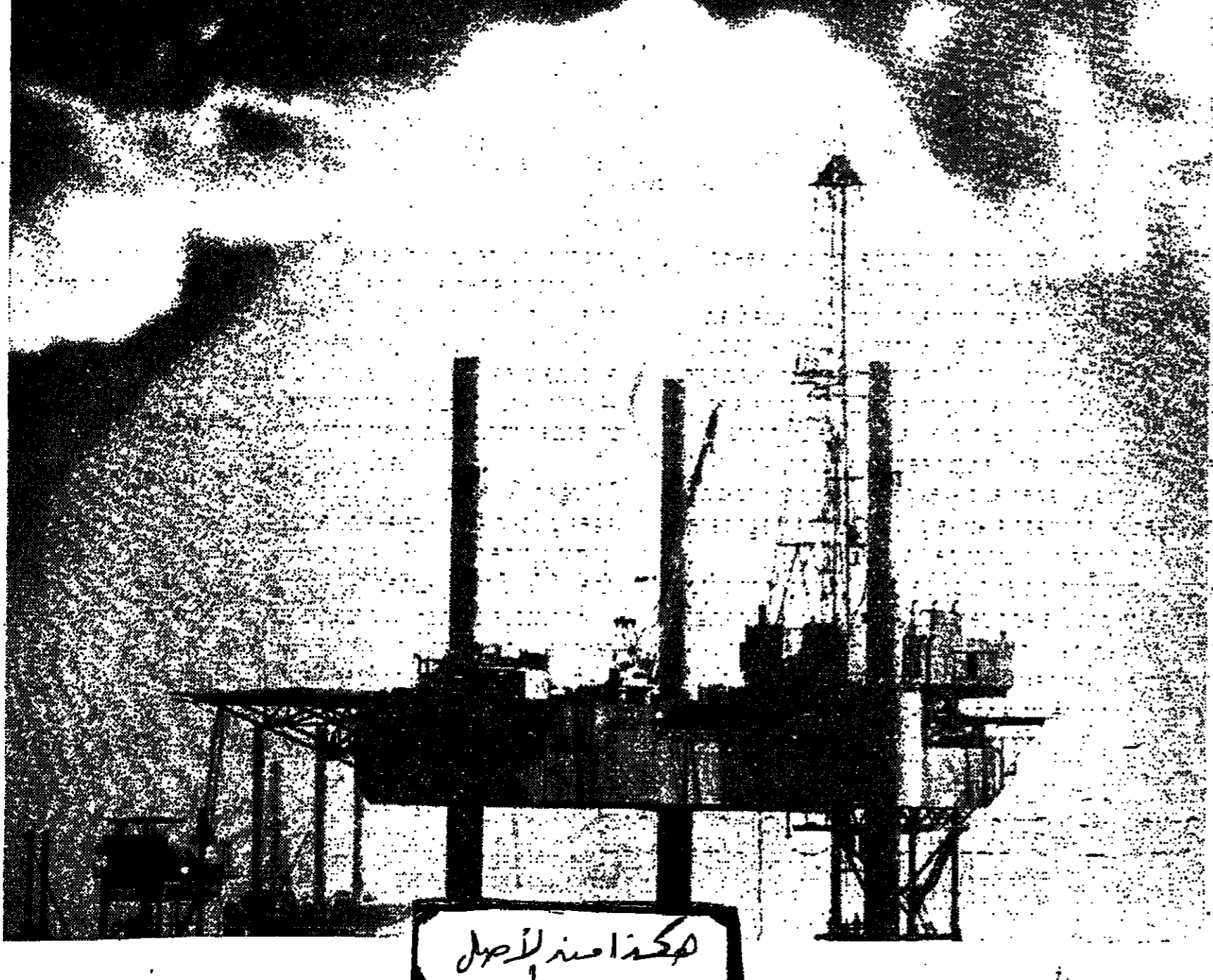
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(Nine months to July 31 1982)

	Net income previous year (C\$bn)	Change from previous year (%)	Total assets (C\$bn)	Change from 31-7-1981 (%)
Bank of Montreal	200.7	-35	63.5	+8
Bank of Nova Scotia	193.3	+7	54.7	+15
Canadian Imperial	196.3	-21	69.4	+9
Royal Bank of Canada	247.9	-34	89.6	+7
Toronto Dominion Bank	231.3	+9	46.0	+10

Dennis Slocum

مركزنا من الأصول

Morgan Bank of Canada: an important link in a worldwide network



Some of the officers of Morgan Bank of Canada: from left, Robert Wotten and Brenton Brady at the headquarters of an energy company client; Paul Jurist, head of general banking, with Larry Chamberlin, president; outside Morgan's Toronto offices; Steven Janicek and Alan Abel, head of treasury and foreign exchange.

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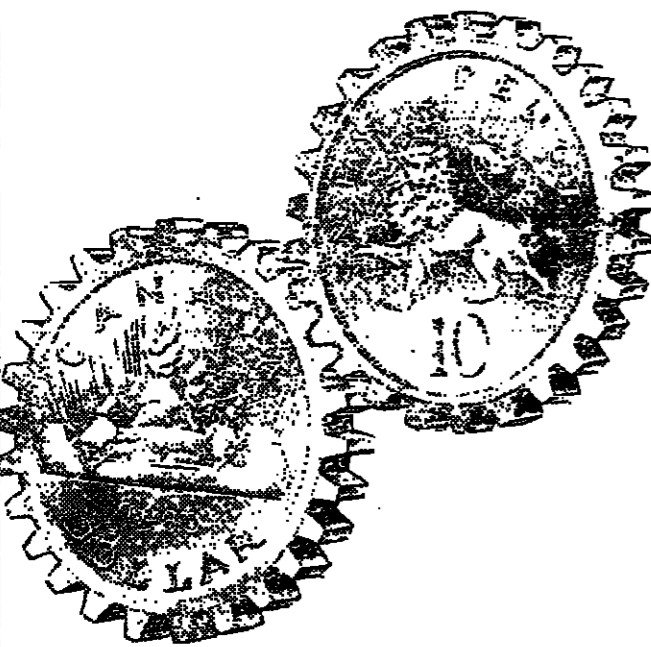
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CANADIAN BANKING AND FINANCE IV

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The banks: a modest fall from grace

BANKS IN Canada, long a byword for financial soundness and prudence, have been through the wars this year. Recession and financial problems in overseas countries have taken their toll. Provisions against bad debts are up; profits are down.

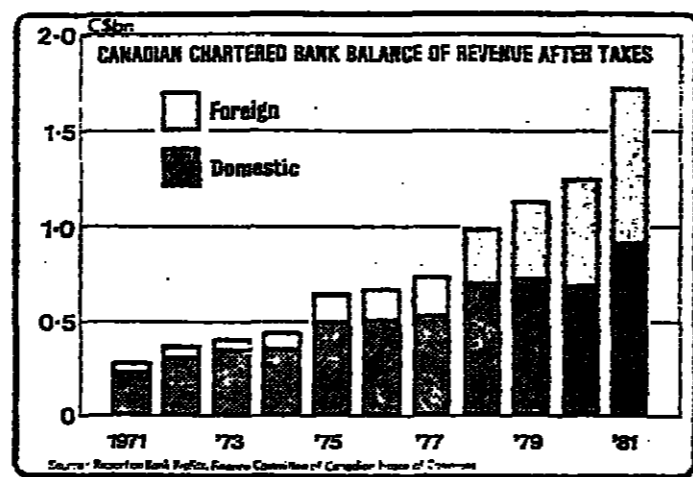
As a leading banker in Toronto put it: "In 1974 we were very top quality. Now no longer." But he adds: "If the dominoes were to fall, we should not be the first."

Both remarks are on target. The demolition of the long-term issues of several Canadian banks by the rating agencies (but not of their short-term liabilities) reflects the difficulties. They are not peculiar to Canada. Many banks elsewhere have felt the draught at least equally. Not many institutions which are involved in world banking have escaped.

In spite of the liquidity problems of Dome Petroleum, with debts exceeding C\$3bn (about \$1.4bn) to Canadian banks, or those of Mexico which owes them about C\$5bn and in spite of a wave of bankruptcies within Canada, the Canadian banking system must be accounted sound. But there is a general air of nerves. Imprudent and unfounded remarks by politicians have twice caused runs on local branches.

The system does need a phase of consolidation after a decade during which assets showed compound annual growth of 21 per cent. It has already begun to happen, partly as a matter of policy, partly because the recession has reduced credit demand drastically. In the current year of account (ending on October 31) aggregate assets have been growing by 10 per cent, though that figure masks considerable differences between different banks.

It is probable that, for prudential reasons, the Canadian banks may slow down their drive into international business which was a feature of the 1970s. In the 10 years to 1981, the share of foreign assets among their total assets had an annual compound growth rate of 24 per cent, reaching C\$109bn of total assets of C\$41bn at end-October 1981. It was not a quest after volume only. Since 1979,



the after-tax return on foreign assets has been consistently higher than the return on domestic assets.

Some banks have set themselves top limits on the amount of international business that they propose to do. But the Bank of Nova Scotia, for instance—which for long has been heavily involved abroad—has no such limit and does not propose to set one.

Exposure

While it would be wrong to argue that the entire foreign exposure of Canadian banks has resulted in headaches, the amounts thought to have been lent to problem countries is formidable. Rough estimates are as follows: Brazil and Mexico, about C\$5bn each; Argentina, C\$2bn; Poland, C\$0.4bn; other centrally-planned economies C\$3.6bn. (The figures are derived from a report prepared by the House of Commons Finance Committee in Ottawa, but have been partly revised in the light of later information.)

These potential danger areas abroad add up to C\$16.2bn. That is barely more than assets in the UK and roughly equivalent to assets in the U.S. The likelihood is that the Canadian banks will attempt to concentrate their future interest on these areas and on some of the industrialised Asian countries. It is important that none of these overseas difficulties has

produced actual loan losses. At least so far, though rescheduling has either occurred or has become inevitable. As regards Canadiana debtors in liquidity difficulties, no bank is believed to have made provisions yet for possible losses in the Dome affair. On the other hand in the case of another walking wounded, Massey-Ferguson, the banks' remaining exposure is understood to be fully or almost fully covered by provisions.

Published figures for loan provisions are not of much help in assessing the real damage, since they are calculated on a five-year sliding scale basis, and since the period in which a loan goes sour and the period in which provisions are made may not coincide. Actual loan losses in the year to October 31 last came to about C\$350m. For the current year of account, analysts are forecasting actual losses as high as C\$2bn, but that must not be taken as more than an informed guess.

With difficulties on that scale attention has inevitably turned to prudential management and regulation. The primary responsibility has fallen on the man-

agements, and they have responded with generally unpublished loan limits, with provisions, and with greater caution in international markets.

The Canadian Imperial Bank of Commerce, with assets of C\$89.4bn making it the second largest bank in the country, has publicly announced that in future it would limit loans to any one borrower to 15 per cent of its capital: at one time its claims on Dome were equivalent to more than 40 per cent of capital.

The House of Commons Finance Committee in Ottawa has recommended a ratio of only 25 per cent. The chief regulator, Mr. W. A. Kennett, Inspector-General of Banks, has plumped for 50 per cent.

But there is no clear definition of what constitutes capital. The House of Commons committee called for such a definition; Mr Kennett is working on one with his colleagues in other countries. The difficulty there is a dual one: how to find a definition which will give comparable results in different countries with different accounting

rules; and how to avoid distorting international competitiveness by forcing banks in one country to reduce leverage or capital ratios below those elsewhere.

Canada itself has no firm leverage ratio, preferring to work by guidance from the Inspector-General. (The exception concerns foreign-owned banks whose assets may not exceed their capital by more than 20 times.)

Ratios

By the end of the last year of account total assets in the Canadian banking system were 31.7 times equity and 24.5 times capital on a wider definition. One should add that Canadian law does not permit the formation of hidden or secret reserves, so that the figures can be taken at face value. In the official view these ratios are adequate, though lower than a few years ago, but should not be permitted to decline further.

Problem loans and capital adequacy apart, the Canadian banks have also been caught in

a cyclical trap. The decline in interest rates and lack of sound credit demand have eaten into profits: for the first three quarters of the current year of account they were down 1 about 20 per cent, and they could be worse to come. Interest rates continue to decline steeply. A steep slide narrows margins because tend to be felt first on the liabilities side.

The banks' response has been to steer against the current by seeking to widen margins or by cutting overheads. Warnings have been heard of process of closing branches in some areas.

Instead several of the B Five have speeded up their installation of automatic tell machines to save staff. However, the policy is controversial: the capital cost is heavy, as an institution such as the Bank of Nova Scotia, with a large portfolio of consumer credit, loth to jeopardise personal contact with the customers.

W. L. Luetken



The 19th-century Bank of Montreal building in Place d'Armes, Montreal. Built in 1847 and extensively renovated at the turn of the century, it is still one of Canada's most imposing commercial buildings. It is still in use though most of the executive junctions of the bank, Canada's oldest, are carried out in an adjoining high-rise building and at modern offices in Toronto.

Foreign banks seek freedom from restraint

FOREIGN-OWNED banks in Canada, established under new regulatory legislation, are finding life harder than hoped for. The main reason is not so much Canadian economic nationalism—though it has given rise to some complaints—as the generally depressed economic climate. It has reduced sharply the rate by which the banking business in Canada has been increasing and it has opened up a number of prudential pitfalls.

That did not, however, prevent many foreign-owned banks from being established under the new regulatory legislation, where they could successfully apply for additional scope to increase their Canadian assets. The need to do so arises because of the regulatory constraints imposed upon foreign-owned banks:

- Each foreign-owned bank is allotted a so-called deemed authorised capital and its Canadian assets may not exceed 20 times that amount.
- Canadian and international assets must not exceed 20 times each foreign-owned bank's capital and reserves.
- Taken together, the foreign-owned banks may not collar more than 8 per cent of the domestic business booked by the entire Canadian banking system.

Deemed capital was initially allocated in rough proportion to the business volume acquired by the foreign bank's subsidiary before the Bank Act was put into force. At that time many foreign banks operated in Canada through subsidiaries lacking full banking privileges, in particular the right to go to the Bank of Canada as lender of last resort.

Newcomers to Canada, which included some of the great names in international banking, were allowed C\$5m of deemed capital each—enough to sustain a mere C\$100m (about \$47m) in Canadian assets under the rules.

Since the initial share-out, the Canadian Government has increased the deemed capital of 23 of the 37 foreign banks, including some of the newcomers. The criteria for an increase are need, as measured by the size of the applicant's portfolio, but also the nature of its business. Those given the extra scope include the Canadian affiliates of Barclays, National Westminster, Dresdner Bank and the Union Bank of Switzerland—the latter two both newcomers, whose deemed capital has been doubled to C\$10m.

Further applications for extra deemed capital, permitting an enlarged portfolio of Canadian assets are on the way. The overall ceiling of 8 per cent of domestic business imposed on the foreign banks leaves plenty of room. On June 3 the foreign banks had

aggregate domestic assets of C\$13bn as against C\$24.5bn in domestic assets for the entire chartered bank system. That left some C\$9bn to fight for before the ceiling is reached.

None the less, the 8 per cent ceiling is not popular with the foreign banking community, and not least the British. They argue that Canadian banks can operate freely in Britain and want a similar lack of constraints upon themselves.

For the moment the question of raising the ceiling imposed upon the foreign-owned banks in Canada is not topical. For a start, as has been seen, it has not been reached. Moreover, the regulatory legislation was passed only in 1980 and changes are unlikely in the immediate future. But not only the foreign bankers want to see their position eased. So do some of their Canadian colleagues and some politicians. In the office of the Inspector General of Banks in Ottawa you can occasionally hear the sibilant sentiment that "we are still in the learning phase."

That applies also to the foreign banks themselves. Canada, by and large, has British-style banking and the British-style of regulation by moral persuasion or gentle suggestion from Mr W. A. Kennett, the Inspector General. It is not entirely familiar to bankers from countries where the authorities operate more by detailed written rule and regulation.

Canadian economic nationalism, a recurring but variable influence, goes a long way towards explaining why the foreign banks have been circumscribed more strictly in their freedom than have the Canadian banks. But it is in fact a case of nationalism in retreat. Legislation that was in force from 1967 to 1981 limited foreign shareholdings in Canadian banks to a maximum of 25 per cent of the share capital, with no single owner allowed to surpass 10 per cent.

Concession

So the admission of closely-held foreign banks is a concession. But it is an ambiguous one. As has been seen, when foreigners were in effect forbidden to own Canadian banks, they had the alternative of setting up so-called near-banks, most or all of which were engaged in the wholesale market.

For most of them the achievement of chartered bank status needs no profound change in the nature of their business, though it will give them additional prestige and the right to resort to the Bank of Canada. But access to that lender of last resort carries a price tag in the form of having to maintain reserves interest-free with the

FOREIGN-OWNED BANKS BY SIZE

Rank	Assets* (C\$bn)	Deemed capital (C\$bn)
1	1,637	139.0
2	1,148	60.0
3	1,001	51.0
4	998	35.0
5	963	35.0
6	723	22.0
7	607	35.0
8	607	35.0
9	534	25.0
10	506	25.0
11	450	20.0
12	340	18.0
13	309	17.5
14	146	10.0
15	142	10.0
16	121	12.5
17	91	5.0
18	47	5.0
19	38	5.0
20	30	5.0

* At May 31 1982.
† Deemed capital is allotted at the discretion of the regulator authority. The bank's domestic Canadian business may not exceed this amount by more than 20 times.
Source: Canadian Bankers' Association.

central bank. To be fair to the Canadian authorities, there also have been prudential reasons for curbing the freedom of action of the foreign banks. In the end, the foreigners' stability is guaranteed by the stability of their parent banks elsewhere, and the regulatory authorities argue that it is impossible for them to keep track of the soundness of banks as far afield as the Far and Middle East.

But beyond that, there is a will to give the foreign-owned banks a Canadian corporate identity, rather than letting them remain little more than offshoots of their parent institutions. It shows, for instance, in a request from Mr Kennett that foreign banks should not fund more than half their Canadian assets in foreign markets. A foreign-owned bank is also expected to keep at arm's length from any representative office that its parent may have in Canada.

There also is a tax trap. A foreign-owned bank that borrows too much from its parent abroad may lose the usual deductibility of its interest charges. The trap is sprung once the debt-equity ratio reaches three-to-one.

Some of these restrictions were devised specifically, though not overtly, with an eye on Big Brother in the south, the U.S. and its powerful banking machinery. Some Canadian banks were openly apprehensive during the debates on the Bank Act that U.S. competitors would move in on a grand scale, taking advantage of the fact that much of Canada's industry is American-owned to get in on the ground floor.

As it is, U.S. institutions are far the most numerous contingent among the foreign banks so far set up in Canada, and five of them have a place among the 10 largest foreign-owned Canadian banks. There is a minority view both among the big Canadian banks and in the Finance Committee of the Canadian House of Commons that

owned banks should be put on a par with Canadian-owned institutions. Bankers who hold that view argue that the Canadian banks are so active in foreign markets that they can only gain if Canada takes liberal attitude to their foreign competitors.

Benefit

Among some politicians the argument is reinforced by the view that more competition will not harm the Canadian financial institutions. It is true that when the proposal to admit foreign-owned banks was first put in a White Paper, the Trudeau Government of that day justified it on the ground that Canada would benefit from the extra competition and from the resulting innovation.

A year ago it was suggested that some of the restraints on foreign banks could be eased by exempting certain Canada assets when calculating how those banks have come to their ceiling of 8 per cent of aggregate Canadian assets c the Canadian banking system. For instance, it was suggested that loans for energy development might not count toward the total.

That proposal has lost what appeal it may have had in the collapse of the dream that Canada was on the verge of a great energy boom. But the idea of selective exemptions from the per cent limit could re-emerge in some other form.

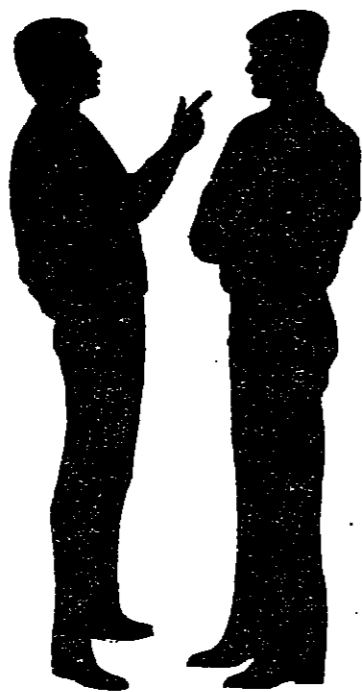
The Canadian House of Commons Finance Committee in a recent report on Canadian banking, made no recommendations to change the regime governing foreign-owned banks. But it did suggest that Canadian banks might look for more equity capital abroad to maintain or improve capital ratios. The committee found that only 5 per cent of the equity capital of the Canadian banks was in foreign portfolios, whereas the law permitted a share of up to

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CANADIAN BANKING AND FINANCE V

A proposed change in the law should give the companies greater freedom, but may bring problems too, as Nicholas Hirst reports

Trust and loan companies face increasing competition

CANADA'S TRUST and loan companies stand on the threshold of a sweeping change in the law, intended to increase their flexibility to make commercial loans and compete with the established chartered banks.

A draft Act for consideration in the next session of parliament has a discussion paper been published but the trust and loan industry, and stock exchange analysts, complain that the Act does not go far enough. It also brings the companies new problems, they say.

The trust companies, founded in the second half of the 19th century to perform trustee and executor functions, grew into deposit-taking institutions and with their associated mortgage and loans companies, have taken on many banking activities.

At the end of 1981 their deposits, although smaller than the chartered banks, totalled C\$59bn and in their trustee business they administered a further C\$7bn. They offer deposit and savings accounts and cheque facilities.

The top seven control about 85 per cent of the trust business and more than 70 per

cent of the deposits. Last year the industry accounted for 49.4 per cent of the loans made for home purchase but the amount lent, at C\$4.9bn, was 26.8 per cent down on the previous year.

Decline

Over the past decade the traditional mortgage business has moved into decline and, with strict controls now on immigration and an ageing population, the industry believes the previous growth is over. At the same time, the chartered banks have moved into the mortgage business: the trust and loan companies are faced with increased competition in a declining market.

The reaction, particularly of the big seven, has been to diversify into commercial and personal lending, but the present Loan and Trust Company Acts have severely restricted what they can do.

A change in the law has been considered for some years. With the recent parliamentary report on bank profits and concern to allow the trust companies to achieve a better match between

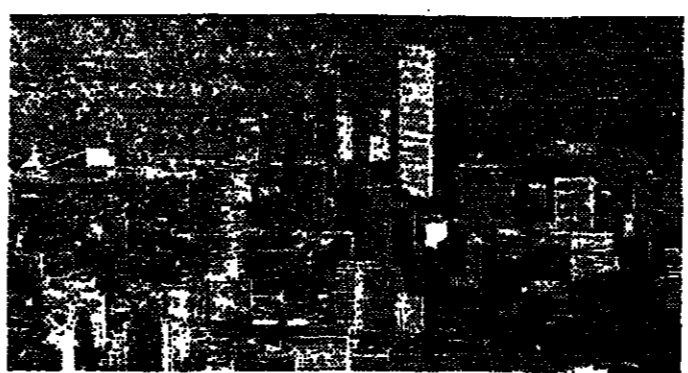
their deposits and loans, a renewed impetus has developed to get new legislation passed.

Until very recently the trust and loan companies had to keep 75 per cent of their assets in first mortgages or certain approved debentures and securities. This requirement has been reduced to 66 per cent, but only 7 per cent of assets can be lent on commercial or personal loans unsecured by property. At the end of 1981 the trusts had 63.9 per cent of their assets in mortgages and the loan companies 83.7 per cent.

The big trusts have been able to increase their commercial lending by using industrial mortgages and lendings on debentures which qualify under present legislation.

For example, Guaranty Trust, one of the big seven trusts and loan groups, by carefully using mortgages and debentures to diversify, had 13 per cent of its assets in consumer loans in 1981, 9 per cent in commercial mortgages 4 per cent in sales finance loans and 8 per cent in other corporate loans.

Under the new legislation the 15 per cent would include the loans made on debenture. According to Mr Robin Cornwell,



Toronto's banking and business district. The trust companies have branched into commercial and personal lending

an analyst with Toronto stockbrokers McCarthy Securities, the 15 per cent limit may not provide much increased flexibility.

The companies themselves see the limit as being overly restrictive and, during the hearings at the committee stage of the Act, will press to get it changed. But that is far from the only problem. In the discussion paper brought out with the draft Act, it is suggested that no shareholder should own more than 10 per cent of a trust or loan company.

This idea stems from the Bank Act. For Canada's chartered banks this has posed little trouble. But with one exception, Canada Trust, all the other large companies have controlling shareholdings. If the discussion paper suggestion were put into law, the structure of ownership would have to change drastically, something that the Trust Companies Association of Canada feels would

be an unnecessary and possibly damaging upheaval.

On top of that the trust companies would be prohibited from investing in companies in which they had placed significant funds held in discretionary trusts under their management. Although that would be an ideal way of carrying on business to avoid any possibility of a conflict of interest, as the industry is presently constituted it could cause immense difficulties.

The trust companies are also to be prevented from lending without security to companies quoted on a recognised stock exchange where they would be competing directly with the chartered banks. The trust companies, naturally, think they should be allowed to do so if they want to.

One option open to the industry would be for its members to convert themselves into chartered banks and free themselves of many of the present and planned restrictions, but that would mean that their major shareholders would have to divest themselves of their holdings. Also, they would not be able to retain their trust business. Under Canadian law banks are prohibited from

carrying out trustee and executorship functions and over the past few years this has proved to be a growth area.

The growth of company pension plans administered by the trust companies has grown dramatically from C\$ 8bn in 1972 to C\$ 28.2bn in 1981. Tax benefits given to individuals investing in retirement savings plans have also generated substantial growth with administered funds leaping from just over C\$ 1bn in 1972 to C\$ 18.2bn in 1981.

Lending

A survey of six major trust companies, four years ago showed that two earned substantially more fee income than income from lending. In only one case was the fee income a small proportion of total earnings.

For all that, the industry's earnings record in the past few years has not been spectacular. Just as its residential mortgage business has suffered, so has the dull housing market affected the 500 real estate offices they own.

But the trust and loan companies have largely avoided landing themselves in the same difficulties that have hit the savings and loan institutions in

the U.S. From 1967 onwards residential mortgages have been shifted on to five-year terms with the possibility of a roll-over on new interest rates while amortisation has been kept at 20 years or longer. Even so, at least one company has been caught with long mortgages at low rates while interest costs have soared.

The industry would like to be able to grant the same type of floating rate mortgages offered by the building societies in Britain, limiting the risk of borrowing short and lending long, but at the moment interest Act legislation prevents it. The trust companies' diversification is at present heavily restricted and their growth prospects are narrowed. Mortgages on industrial properties, for instance, bring them into heavy competition with the chartered banks which are free to lend without specific charges. But if the Draft Act is modified there is the prospect that the trust companies will be able to compete with the chartered banks in personal and medium-sized business lending. The trust companies, after all, do have the problem of doubtful foreign debt.

Heavy losses in insurance market

ALTHOUGH hefty premium income gains of close to 30 per cent have been recorded by Canada's property-casualty insurance companies in the 1982 first half, it still remains in doubt whether or not the industry has turned the corner toward profitable operations.

The market conditions which spawned the record underwriting loss of \$890m have only marginally improved. Fierce competition for premiums continues in many insurance lines. For many coverages, claims costs are rising faster than premium gains. At the same time, the insurers' capital and surplus margins have been cut to the bone.

The companies have implemented massive premium increases this year of up to 30 per cent—and as high as 50 per cent in some cases—in automobile and residential insurance and more rises are expected. However, efforts to raise commercial insurance rates have crumbled in this briskly competitive market.

With little or no growth visible in the economy, the first-half increase in premium income can only be attributed to the premium increases. But in a market that continues to be plagued by over-capacity, an overall weak pricing structure and rabid competition, the industry fears that by the end of 1982, underwriting losses will be close to 1981's record levels.

In the first quarter, investment income of \$245m failed to offset the underwriting loss of \$294m. As a result, the industry had a net loss, after income taxes and extraordinary items of \$20m, worse than the \$13m loss of the 1981 first quarter. In the 1981 fourth quarter, traditionally a period of high claims payments, the loss was \$46m. Although loss ratios eased and expense ratios declined slightly, the first quarter, normally a period allowing 113.6 per cent.

According to Mr E. F. Belton, president of the Insurers Advisory Organisation of Canada, a rate-making and risk analysis agency owned by 58 insurers: "Any rational analysis of the results would indicate that a substantial correction should now be well under way. The only conclusion that can be reached is that a major shake-out is inevitable and imminent."

Fears

Last year, the failure of two companies—Strathcona General Insurance of Canada and Pitts Insurance—generated fears which were rekindled this summer when Cardinal Insurance was declared insolvent by the Federal Department of Insurance.

In addition, at least 40 insurers have been ordered to report results to the department on a monthly basis, while several others that had losses in the first quarter are now required to report on a quarterly basis. "Losses have been heavy," said Mr Robert Hammond, Federal Superintendent of Insurance. "Insurers have seen a definite narrowing of their capital and surplus margins and people in the industry have become very concerned."

In the light of the uncertainties caused by rapidly-rising costs and tightening solvency margins in both the primary and reinsurance markets, Mr Hammond plans changes in the current regulatory practices this autumn.

Although his recommendations

are still being prepared, they are likely to include: increases in the capital and surplus requirements when incorporating new companies, measures to strengthen the capital requirements of existing companies and new regulations to deal with the problem of offshore reinsurance.

Reinsurance, both in the use of unlicensed foreign carriers and in the practice of reinsuring up to 90 per cent of certain lines, has been a bothersome ingredient in the insolvency brew.

Mr Hammond contends that insurers operating in Canada should retain a significant percentage of their portfolios because they "should have a stake in the business they are writing."

Mr H. J. Phillips, IAO vice-president and chief actuary, forecasts that the 1982 underwriting loss will reach \$885m, earned premium income will rise 18 per cent to \$6.7bn and incurred claims will climb 15 per cent to \$5.3bn. He projects that the combined operating ratio will improve slightly to 113.2 per cent from 115.7 per cent in 1981, which still indicates that payouts will be higher than income.

Assumption

Mr Phillips said his forecast assumes the industry "will move actively toward higher rate levels and more away from cash-flow underwriting." His second key assumption is that the investment markets will continue to offer yields at close to current levels.

Several major insurers have already introduced large premium increases and stayed with them, even at the cost of losing market share. Royal Insurance of Canada managed to halve its underwriting loss to \$25m in the first half, but suffered a 17 per cent fall in premiums as competitors moved in on its higher priced business.

But Royal is banking on the current firming trends in the industry. Mr Roy Elms, executive vice-president, said continuing poor claims results, aggravated by falling interest rates that probably will reduce investment income, would encourage other insurers to take similarly incisive action on the pricing front. "These developments will force other insurers closer to Royal's premium levels with the result that the drop-off in market share should diminish as the year progresses."

The key to the struggle for improved market share lies in the volatile commercial and business insurance sector, which Mr Elms describes as "very competitive with few signs of a firming in premium changes."

Mr C. G. Giles, president of Reed Stenhouse Canada, puts it more simply: "In short, there's a war out there." He sees no sign of broadly-rising prices, aside from increases in commercial auto and truck fleets rates (where increases of up to 45 per cent have been reported), higher prices for specific liability coverages and attempts to renew policies at higher rates, which often sends the business to a lower-priced competitor.

Because interest rates remain high, cutting premiums to maximise cash income is still rampant and premiums for the larger corporate business are still going down, Mr Giles said. "Until interest rates are reduced—and that is unlikely before the third quarter—we do not expect a market upturn."

Lawrence Welsh

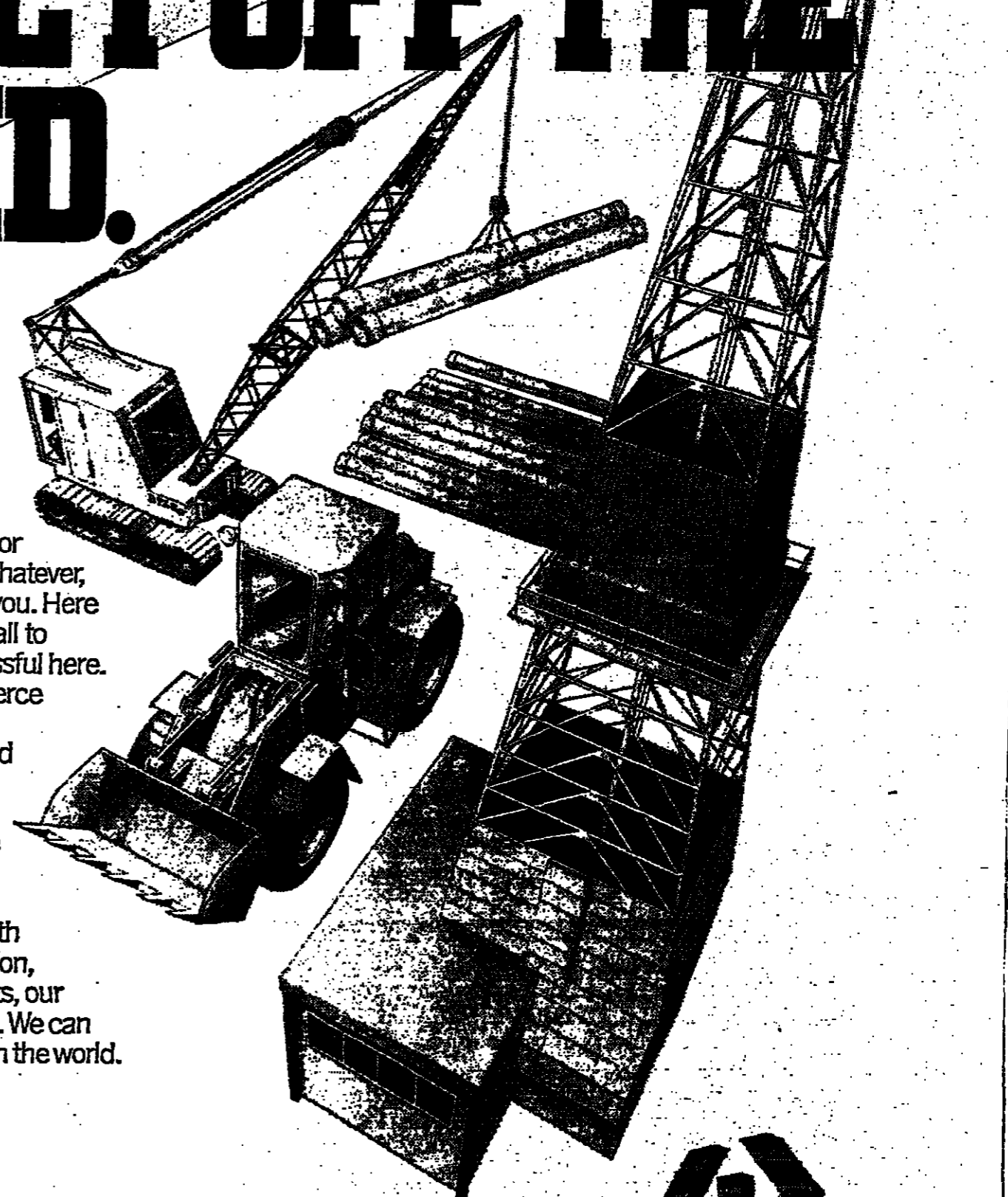
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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

How Ireland is boosting the entrepreneur

BY RAYMOND SNODDY

PARISH priests in the West of Ireland sometimes include a strange item in the lists of local events which they deliver from their pulpits on Sundays. Parishioners are told that a travelling team from Ireland's Industrial Development Authority (IDA) will be making a presentation at the local hotel during the coming week and looking for all those with the ideas or the determination to start their own businesses.

Increasingly the IDA is not just waiting for entrepreneurs to emerge but is actively seeking them out and providing ideas for new products to be made or new markets to be supplied.

After an audio-visual presentation and a "revivalist" speech from a local industrialist, who is himself an example of what the audience is being asked to do, questions are sought. Usually there are very few.

"People are terribly shy, especially down in the country," says Kieran McGowan, manager of the IDA's small industry programme. But after the formal session is over small knots of people form in corners, earnestly discussing ideas and sometimes it is 1 am or 2 am before the people from Dublin or the regional IDA office can get away.

Such an active programme of seeking out entrepreneurs is an uphill task, but it seems slowly to be having an effect. Against the overall industrial trend, employment in the small industry sector of Irish manufacturing rose by 8 per cent last year to 55,000, out of a total workforce in manufacturing of 236,000.

And small businesses, defined by the IDA as those employing up to 50 people and valued at up to £500,000 (£400,000), accounted for 10,000 new job opportunities last year. This was nearly a third of the 33,720 jobs approved by the IDA in 1981.

While in the late 1960s grants for small businesses were being approved at the rate of one a week, now three are approved every working day. Last year



Kieran McGowan (right) manager of the IDA's small business programme, inspects the electronic equipment produced by Cyril Kerr and his company Data Control in the Pearse Street Enterprise Centre in Dublin

60 available. When a promising idea is identified the help is extensive. The IDA meets half the cost of a feasibility study up to £15,000; it gives 60 per cent grants for buildings and machinery in the West of Ireland, or 45 per cent in the East; 100 per cent of the cost of training; and half the cost of research and development.

But perhaps most important of all, the maximum tax rate on manufacturing companies is 10 per cent—this now includes all such companies in Ireland; until recently they had to pay up to 45 per cent unless they were exporters.

Among others, this package last year attracted 11 small companies to move in from the UK. They will eventually employ over 300 people.

Energy saving

This year the number includes Computability, a new company which will make microcomputers for export; Heatway, which is going to make energy saving systems for export; and Distributive Computer Systems, which plans to set up a computer software operation in Dublin.

Some of the help that is available to small businesses can be seen at the Pearse Street Enterprise Centre in the heart of Dublin's inner city. Half of the 35 industrial units are already constructed. When it is complete in January the complex will have common secretarial, accountancy and telex facilities. And in a eight storey tower in the centre—a disused distillery dating from the 18th century—there will be incubator units for the smallest one man businesses.

Twenty week courses on how to start a business are also to be run there. They will take an individual's idea from square one and help see it

through to fruition. One of the companies already at work in Pearse Street is Data Controls which plans to manufacture under licence a range of microcomputer-based telemetry and data acquisition systems. They will be used for such purposes as monitoring the Irish Electricity Board's experimental wind-powered generators and controlling the signalling on the electrified suburban railway system now being built in Dublin.

Cyril Kerr, the man behind the company, which he hopes will employ 28 within three years, was formerly product marketing manager of Telectron Instrumentation of Co Dublin. Before that he worked for Siemens in West Germany.

Data has been supported under a separate IDA enterprise programme which provides loan guarantees and interest subsidies as well as the normal range of grants.

The IDA is also making moves more actively to involve the universities in the creation of new businesses. This year 80 new Irish science and technology graduates will be sent for a year to 80 small companies.

The graduates, many of whom might otherwise be unemployed, will receive £5,000; the company will pay £1,400 and the state the rest. The hope is that many of the 80 will decide to stay with their companies.

A scheme is also under way to get mature students studying for masters degrees in business administration to write their thesis not on the latest management plan of IBM but of small companies down the road. Kieran McGowan's hope is that the companies will have the advantage of a free consultancy plan and the students will have the satisfaction of helping to shape the real world. The initiative is likely

to be extended to marketing graduates.

McGowan, himself a 38-year-old commerce graduate who has worked in just about every unit of the IDA from its rescue unit for companies in trouble to its heavy industry section, believes the IDA has got the decision-making process right.

All Ireland's small business promotion effort is under the roof of one organisation and different counties and towns do not dissipate their money and energy competing against each other.

"The decision-making is fast and very flexible," says McGowan, who supervises a budget of £30m a year out of a total IDA budget of £200m and has a staff of 50. Twice a week meetings are held to decide on grants up to £35,000 and a month a committee, of which he is chairman, has the power to dispense grants up to £250,000.

But in the end, McGowan emphasises, new businesses are created more by the glint of an idea in someone's eye than a chequebook.

Brian McKernan had just such a small idea. Because he worked in the packaging department of a large multinational food company in Ireland he knew that all the staples he used were imported. No one in Ireland, it seemed, had even thought of manufacturing industrial staples.

When he was made redundant he got together with his English brother-in-law, John Jackson, an accountant who has worked for supermarket chains. They discovered that there was a market worth £450,000 a year for the staples, and with the help of £40,000 in IDA grants they are already employing eight people in Dublin. They plan to make Ireland self-sufficient in staples—and then to tackle the paperclip market.

Small business abstracts

The future of small businesses. J. E. Bolton in *Journal of the Royal Society of Arts* (UK), May 1982

Discusses the recommendations of the 1971 Committee of Inquiry on Small Firms, and the degree of subsequent government action; stresses the contribution made by small companies in job creation and innovation; examines the availability of finance for start-ups, and the provision of specific-to-small-business management education; indicates where greater governmental and financial assistance is needed. Generally accepted auditing standards and small business. D. T. Anderson plus others in *The CPA Journal* (USA), April 1982

Quoting the attitudes of accountants to small-business clients, explores whether there could be generally accepted auditing standards in this area; looks at difficulties encountered over internal accounting controls, the reliability of audit evidence, and auditor independence. Reports unhappiness at having to qualify audit reports for non-compliance with, but reluctance to have a "second tier" of standards; pleads for guidance from the standard setters.

Modernising a laundry's accounting. L. A. Brozey in *Management Accounting* (USA), May 1982

Describes — with admirable truth — how the decrepit internal control and accounting systems in a small unnamed laundry were transformed. Handling employee complaints in small business. B. J. Baroni in *Business* (US), April/June 1982

Outlines steps in setting up an employee grievance procedure, and suggests simple rules for the handling of complaints. Accounting services for small business. M. R. Mathews in *The Australian Accountant* (Australia), May 1982

After seeking to classify small companies, presents an annotated checklist of questions their accountants may be able to answer for them (about cost characteristics, budgeting) and the techniques they can either use themselves or get the accountants to use on their behalf. These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Licensing as a spur to start-ups

IMPORTED technology could play a useful role in the generation of small business in Britain, according to two academics studying the role of licensing in small and medium-sized companies. Julian Lowe and Nick Crawford, of the University of Bath, believe that not enough is being done, especially by the Government, to encourage the use of licensing agreements.

They were speaking earlier this month at a special conference on licensing for the smaller company. While licensing is mainly the preserve of larger companies, the two men's research focuses specifically on what is being done by small and medium-sized organisations.

Lowe and Crawford believe that greater use of licensing might come about through government and/or private industrial initiatives involving both high and relatively low technology.

But what can be done to stimulate trade through licensing? Lowe and Crawford believe that "organisation rather than cash injection may be the most critical factor in identifying and sponsoring start-ups based on licensing agreements."

They say that sources of finance for good new projects are probably available in sufficient quantity already, but their research suggests that the number of such agreements leading to new businesses is relatively small.

"This may be for two separate reasons—lack of knowledge of and experience in licensing by potential start-up licensees and lack of publicity for new product ideas which might be suitable for such agreements."

They add: "Both government and industry could have a role to play in the better organisation of such agreements. A possible focus for the use of licensing agreements could be the privately-financed enterprise agencies or other privately funded bodies (such as chambers of commerce) with the contacts and ability to point suitable entrepreneurs in the right direction. Through the aegis of such bodies, information on licensing opportunities could be made more easily available."

With large numbers of managers unemployed, they argue, local enterprise trusts and other such bodies might set up management teams to exploit licensing opportunities. Such a process might attract private sector funds to exploit such opportunities, they add.

"While licensing can be a useful aid to innovation and new product development, it must be recognised that there are substantial problems involved in its utilisation. These may be particularly acute in the case of the start-up entrepreneur, who is unlikely to possess high skills in all the areas of marketing, finance, etc. in general, and licensing in particular. It seems probable therefore that specific advice for potential entrepreneurs would have to be provided if licensing were to be used more.

Several "marriage bureau" type operations do already exist in the private sector dedicated to matching opportunities to entrepreneurs. But the researchers say there is at present no body which carries the process one stage further by taking the initiative and setting up "agreements leading to company formations."

Conference papers available from School of Management, Bath University, Claverton Down, Bath, BA2 9EJ.

Arnold Kransdorff

Competition for accounts

COMPANY reports and accounts can play an important part in bolstering the image of a business and among other things communicating with its employees. But many small firms do not make much of an effort to make them readable or informative. A competition to highlight the possibilities for private companies has been organised by the Director Magazine

with the assistance of accountants Robson Rhodes. The winning report will be judged on the quality of financial information provided and its success in getting its message across to users.

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Upholstery and Curtain Velvet Weavers Recently re-equipped and occupying freshhold and modern leasehold premises. Capacity 15,000 metres per week of high quality dralon velvet. Colne, Lancashire.
For further details contact the Receiver and Manager—
Michael J. Arnold, FCA,
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BUSINESS AND ASSETS OF ESTABLISHED GLASS REINFORCED PLASTICS MANUFACTURER AND METAL FABRICATOR
Based in Birmingham, this company specialises in high-quality surface texture finishing on larger structures with prestigious customer list and substantial order book. TURNOVER IN EXCESS OF £300,000.
Contact: J. Kenneth R. Jones, ROBSON RICHES, Centre City Tower, 7 Hill Street, Birmingham B5 4JL. Tel: 021-434 5494 Telex: 339420 ROBSON G

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FOR SALE
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Contact: J. Kenneth R. Jones, ROBSON RICHES, Centre City Tower, 7 Hill Street, Birmingham B5 4JL. Tel: 021-434 5494 Telex: 339420 ROBSON G

Engineering Company Seeks Work or for Sale
Old Established Sheffield manufacturer of capital equipment in strip steel processing machines up to 20 tonnes. Rolls Royce approved fabricating up to 5 tonnes. Interested in acquiring work or outright sale. The company has a competent design team, can manufacture an extensive range of prototype machines and is actively seeking diversification. Area 14,000 sq. ft. Net assets over £200,000.
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Small "specialised" Light Engineering and related business. Turnover £50,000 p.a. on a profit of approximately £10,000 p.a. on a turnover of £50,000 p.a. Price £50,000. Good potential for expansion and increased present turnover. For further details, write Box G.8350, Financial Times 10 Cannon Street, London EC4P 4BY.

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APPOINTMENTS

Midland Bank's Swiss venture

MIDLAND BANK has acquired from Banca Commerciale Italiana (BCI) 69 per cent of the capital of Handelsbank Bank of Geneva. It is being renamed Handelsbank Midland Bank. BCI will retain 11 per cent. The other shareholders are Union Bank of Switzerland with 10 per cent, Credit Suisse with 5 per cent and Sumitomo Bank with 5 per cent. Mr Jack Handley, a senior general manager, and Mr Hervé de Carmoy, a general manager, of Midland Bank have been elected to the board. Mr Sencar Tokar, a Midland assistant general manager, has been appointed chief executive. Mr Raffaele Lombardini, formerly chief executive, has been elected vice-chairman. Mr Guido Hanselmann, an executive vice-president of Union Bank of Switzerland, remains chairman.

Harman (Underwriting Agencies), Redgrove and Everington and Stenhouse Epps (Underwriting Agencies). Mr Biggs will be joining these boards on January 1 and will be appointed managing director when Mr Armstrong retires on September 30 1982. Mr Biggs will be resigning from his present position as managing director of Reed Stenhouse Marketing.

Mr R. A. McCabe has been appointed deputy managing director of John Brown's gas turbine subsidiary. JOHN BROWN ENGINEERING.

Ms Ann Selznick has been appointed sales and marketing director for the GARLAINE group of companies, incorporating Trilaine, Linda Leigh and Garline.

Mr Orlando Raimondo has been appointed assistant managing director of PIRELLI GENERAL. He will succeed Mr A. C. Essex as managing director from January 1. He joins the company from the Pirelli Cable Corp, where he was executive vice-president.

Mr Joseph Fattorini has advised the board of EMPIRE STORES (BRADFORD) that he wishes to retire as a non-executive director on September 30.

Mr Alan S. Fox, a non-executive director of LONGTON INDUSTRIAL HOLDINGS has been appointed deputy chairman and Mr Harry Smith, a director, has been appointed deputy group managing director.

Mr Peter J. Dunkerley has been appointed a director of MARY QUANT HOLDINGS and its subsidiary Mary Quant Limited.

Mr Derek E. Biggs will succeed Mr Henry G. Armstrong as managing director of STENHOUSE SYNDICATES and its subsidiary underwriting agency companies—Stenhouse Reed Shaw (Underwriting Agencies), Stenhouse

vice-president of CIL Incorporated, the principal ICI subsidiary company in Canada, before returning to organic division as a deputy chairman on September 1 this year.

After 10 years in London, Mr Norman J. Lang is to return to the ROYAL BANK OF SCOTLAND'S Edinburgh head office as assistant general manager—branch department, from October 4.

Mr J. W. Shield, group finance director of Lucas Industries, has joined the board of RENOLD as an external director.

Mr Ron Miller has been appointed managing director of HERMES PRECISA UK.

Mr G. M. Hedger, chairman of the committee of management of the LIVERPOOL VICTORIA FRIENDLY SOCIETY, has retired and Mr L. J. Baker, deputy chairman, retires on October 20. Following the retirement of Mr Baker, Mr E. Thiele, will be appointed chairman and Mr H. E. Bowley, deputy chairman. Mr W. R. Grylls, area manager, southern area, will be co-opted to the committee of management to fill one of the resulting vacancies. The other will not be filled.

Miss Gillian O'Connor has been appointed editor of the INVESTORS CHRONICLE, a Financial Times publication. She joined Investors Chronicle in 1971 as a specialist writer and analyst from four years at The Times, including three years as insurance correspondent. Since that time she has risen from assistant editor to managing editor and to deputy editor in 1977. Since May this year she has been acting editor of the magazine. The new editor will be supported by Mr Brian Beading, appointed to the new position of contributing editor, and who will be writing regularly for the Investors Chronicle. Mr Reading is author and editor of Monthly Monitor and since 1979 has been partner of International Advisory Associates, a brokerage and research house. Mr Joe Rogaly became publisher of the Investors Chronicle. He is chairman of FT Business Publishing.

Mr Bryan Hope has been appointed chief executive of IPC BUSINESS PRESS from October 1. He continues as chairman of IPC Exhibitions and a director of the Butterworth group. He is current chairman of the Periodical Publishers Association.

Mr P. W. Siphon has been appointed an associate director of KIRKLAND - WHITTAKER (STERLING BROKERS).

Mr S. E. Blarston, chairman of ICI organics division since 1979, is retiring on March 31 1983. Mr A. T. G. Rodgers, an organics division deputy chairman, has been appointed chairman from April 1 1983. He was a senior

manager finance of Woodside Petroleum. He will be resigning as financial director of the International Thomson Organisation.

Mr Bryan Emmett has been appointed chief executive of the MEANPOWER SERVICES COMMISSION'S employment service. He takes up his new post on November 15 and will be based at the MSC's headquarters in Sheffield. He is currently an under secretary at the Department of Energy and he will succeed Mrs Jean Collingridge who retires shortly.

Mr Andrew Aletis-Hankey and Mr James Lally have been appointed to the board of SOTHEBY PARKE BERNET GROUP. Mr Aletis-Hankey, who has been UK finance director since 1976, will continue as managing director of Sotheby Parke Bernet and Co and will become group finance director in December in succession to Mr Peter Spira who will be joining Goldman Sachs International Corporation as vice-chairman in January next year. Mr Spira will remain on the board of Sotheby Parke Bernet Group as a non-executive director. Mr Lally, executive vice-president of Sotheby Parke Bernet Incorporated in America, has been with the group for 12 years.

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BBC 1

6.40-7.55 am Open University (Ultra High Frequency only).
9.00 For Schools Colleges.
12.30 pm News After Noon.
1.00 Pebble Mill At One.
1.45 Bepop.
2.00 You And Me.
2.14-2.30 For Schools, Colleges.
2.15 Songs of Praise from Bathchurch, Shropshire.
3.43 Regional News for England (except London).
3.55 Play School.
4.20 Puzzle Trail.
4.35 Play Away.
5.00 Newsround with Paul McDowell.
5.10 With My Little Eye by Richard Cooper.
5.35 Who the Wisp.
5.40 News.
5.50 Regional News Magazines.
6.25 Nationwide.
6.50 Angels.
7.15 Last of the Summer Wine.
7.45 At the Deep End.
8.35 Fax.
9.00 News.
9.25 Malta GC. Tonight's documentary tells the story of the siege of Malta which began on June 11 1940 and lasted until September 1942.
10.15 Ice Skating: The St Ivel Ice International from Richmond Ice Rink.
10.55 Buzsukers: The buskers' bazaarous lives are followed by the cameras along the streets and the Underground.
11.33 News Headlines.
11.35 Who Runs Britain?

All IBA Regions as London except at the following times:

ANGLIA
12.30 pm Gardening Time.
1.20 Anglia News.
6.00 Atax.
12.00 Preview.
BORDER
1.20 pm Border News.
6.00 Atax.
12.00 News Summary.
CENTRAL
12.30 pm The Young Doctors.
6.00 Atax.
12.00 News Summary.
CHANNEL
12.30 pm Paint Along with Nancy.
1.20 Channel Lunchtime News and What's On Where.
GRANADA
1.20 pm Granada Reports.
5.15 Happy Days.
11.25-12.30 and 2.00-5.00 pm Labour Party Conference.
5.10 The School Broadcasting Council.
5.35 Cartoon Two.
5.45 Charlie Brown.

(S) Stereo (when broadcast on VHF)

TELEVISION

Tonight's Choice

A very good night's viewing—at least if you regard television mainly as a relaxer. On BBC 1 at 7.45 Paul Henney takes on a remarkable challenge in *In at the Deep End*. Within six months this non-rider is to compete with the country's top horsemen in a three-day event which includes a 15 mile cross country marathon. The Duke of Edinburgh is among his distinguished corner men.

Later there is a documentary about the sieges which won Malta the GC in the war, and a look at the buskers of London. Finally in a new series, *Who Runs Britain?* Anthony Sampson updates his views on the Establishment. This is matched on BBC 2 with a repeat of the enjoyable Kenny Everett Television Show and the second of the four-part series *Take Three Women*, which follows the fortunes of *Take Three Girls*, 13 years on. This week it is Angela Down as Avril, with men problems.

After the escapism of *The Agatha Christie Hour* on ITV at 9, the ultra-escapism of *Chicken Ranch*. The *Chicken Ranch* is a legalised brothel in the Nevada Desert, 70 miles from Las Vegas. The film, which took two months to shoot, takes the part of the 12 girls who make around £2,000 each a week being nice to rich men.

ANTHONY THORNCROFT

BBC 2

6.40-7.55 am Open University.
9.30 Labour Party Conference.
11.05 Play School.
11.25-12.30 and 2.00-5.00 pm Labour Party Conference.
5.10 The School Broadcasting Council.
5.35 Cartoon Two.
5.45 Charlie Brown.
6.10 One of the Family.
6.30 News Summary.
6.35 John Ford Season: "The Searchers."
8.30 Top Gear.
9.00 The Kenny Everett Television Show.
9.20 Take Three Women.
10.25 Jack High.
10.55-11.55 Newsnight.
6.00 Channel Report.
6.30 Different Strokes.
7.00 Looka Familiar.
7.25 Channel Late News.
7.50 Commentaries at Previsions Meteorological.
6.00 Channel Report.
6.30 Looka Familiar.
7.00 Looka Familiar.
7.25 Channel Late News.
7.50 Commentaries at Previsions Meteorological.
6.00 Channel Report.
6.30 Looka Familiar.
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6.00 Channel Report.
6.30 Looka Familiar.
7.00 Looka Familiar.
7.25 Channel Late News.
7.50 Commentaries at Previsions Meteorological.

LONDON

9.30 am Schools Programme.
12.00 am Pullover.
12.10 pm Lat's Evening.
12.30 The Sullivans.
1.00 News with Leonard Parkin.
1.30 Crown Court.
2.00 After Noon Plus.
2.25 Labour Party Conference from the Winter Gardens, Blackpool.
2.45 Father, Dear Father.
4.15 Dangerouse.
4.35 CBTV—Channel 14.
5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News with Andrew Gardner and Rita Carter.
6.20 Help: Community Action with Viv Taylor Gee.
6.30 Crossroads.
6.55 Reporting London.
7.30 Give Us A Clue: Michael Aspel with team captainas Ura Stubbs and Lionel Blair.
8.00 Never The Twain starring Donald Sinden and Windsor Davies.
8.30 Benny Hill: Appearing with Benny Hill are Harry McGee, Rob Todd, Jaci Wright and Love Machine.
8.50 The Agatha Christie Hour.
9.00 News.
10.30 Chicken Ranch.
12.00 Ladies' Man.
12.25 am Close: "Sit Up and Listen" with Sarwar Rita.
† Indicates programme in black and white.

TYNE TEES

5.20 am The Good Word.
9.25 North East News.
9.30 News.
9.35 Survival.
9.40 North East News.
9.50 Emmerdale Farm.
10.30 North East News.
12.00 News.
12.05 Grady Mat, Long Remembered.

ULSTER

1.30 pm Lunchtime.
3.45 Looka Familiar.
4.15 Ulster News.
5.15 Stay Alive with Eddie McGee.
6.00 Good Evening, Ulster.
7.00 Emmerdale Farm.
10.25 Ulster Weather.
12.00 News at Bedtime.

YORKSHIRE

12.30 pm Looka Familiar.
3.45 Calendar News.
3.45 Calendar: The Duke of Argyll.
5.00 Calendar: (Emley Moor and Belmont editions).
7.00 Emmerdale Farm.

RADIO

RADIO 1
5.00 am As Radio 2.
7.00 M6 Read.
8.00 Simon Bates.
11.30 Dave Lee Travis.
12.00 pm Steve Wright.
4.30 Peter Powell.
7.00 Talkabout.
8.00 David Jason.
10.00-12.00 John Peel (S).
RADIO 2
5.00 am Peter Marzke (S).
7.30 Terry Wogan (S).
10.30 Jimmy Young (S).
12.00 Gloria Hunniford (S).
2.00 pm Ed Stewart (S).
4.00 David Hamilton (S).
5.45 News.
6.00 John Dunn (S).
8.00 The Magnificent Menellis (S).
9.00 Listen to the Band (S).
9.30 The Organist Emeritus (S).
9.55 Sports Desk.
10.00 Kenneth Williams.
11.00 Brian Matthew presents Round Midnight (stereo from midnight).
1.00 am Score (S).
RADIO 3
6.55 am Weather.
7.00 News.
7.05 Morning Concert (S).
8.00 News.
8.05 This Week's Composer: Puccini (S).
10.00 Fantasy Quartets for Oboe and Strings (S).
10.40 Ives (S).
11.20 Fou Ts'ong piano recital (S).
12.15 pm Haydn: Nelson Mass (S).
1.00 News.
1.05 Music for Woodwind and Keyboard (S).
2.00 Music Weekly (S).
2.30 Stanhammer (S).
3.30 University of Wales Radio (S).
4.55 News.
5.00 Mainly for Pleasure (S).
6.30 Jazz Today (S).
7.00 "La Roi Arthus" (King Arthur opera in three acts by Chausson (sung

RADIO

2.00-5.00 You and the Night and the Music (S).
6.55 am Weather.
7.00 News.
7.05 Morning Concert (S).
8.00 News.
8.05 This Week's Composer: Puccini (S).
10.00 Fantasy Quartets for Oboe and Strings (S).
10.40 Ives (S).
11.20 Fou Ts'ong piano recital (S).
12.15 pm Haydn: Nelson Mass (S).
1.00 News.
1.05 Music for Woodwind and Keyboard (S).
2.00 Music Weekly (S).
2.30 Stanhammer (S).
3.30 University of Wales Radio (S).
4.55 News.
5.00 Mainly for Pleasure (S).
6.30 Jazz Today (S).
7.00 "La Roi Arthus" (King Arthur opera in three acts by Chausson (sung

RADIO

in French Act 1 (S).
7.45 Encounters.
8.05 "La Roi Arthus" Act 2 (S).
8.10 Splices (short story).
9.30 "La Roi Arthus" Act 3 (S).
10.40 Apocryphal Stories by Karl Capak.
10.45 Terence Judd piano recital (S).
11.15-11.18 News.
6.00 am News Briefing.
6.10 Farming Today.
6.25 Shipping Forecast.
6.30 Today.
8.45 More Tales From A Long Room.
8.57 Weather, travel.
9.00 News.
9.05 Tuesday Call: Wine and Beer Making.
10.00 News.
10.02 From Our Own Correspondent.
10.20 Morning Story.
10.45 Daily Service (S).
11.00 News.
11.03 Thirty-Minute Theatre.
11.30 Wildlife.
12.00 News.
12.05 You and Yours.
12.27 Quote...

RADIO

Unquote (S).
12.05 Weather, travel, programme news.
1.00 The World at One.
1.40 The Archers.
1.55 Shipping Forecast.
2.00 News.
2.02 Women's Hour.
3.00 News.
3.02 The British Legionnaire by Sir Walter Scott (1).
4.00 News.
4.02 Just After Four (10 by Ianer John Chatterton).
4.05 The Silent Continent.
4.40 Story Time.
5.00 News.
5.05 News Magazine.
5.35 Shipping Forecast.
5.55 Weather programme news.
6.00 News.
6.30 To of the Form.
7.00 News.
7.06 15 of Archers.
7.20 Medicine News 71 File On 4.
8.20 Alistair Cooke's Instruments of Jazz (1) The Trumpet (S).
8.50 Haven of Refuge.
9.05 1 Touch.
9.30 Kaleidoscope.
9.51 Weather.
10.00 The World Tonight.
10.30 India: A Land of Abundance (S).
11.00 A Book at Bedtime.
11.15 Financial World Tonight.
11.30 Conversation Piece: The seventh Manxman of Anglesy, biographer and feature of the British cavalry.
12.00 News

RACING

WITH ONLY a few more weeks of the fat season left, the focus of attention is turning to the jumpers. Serious form students will now do well to consider obtaining a copy of *Chasers and Hurdlers 1981-82*.

This, the latest in the Timeform stable, is as comprehensive as any of their past annuals.

Aimed at supplying accurate information about the merit and racing character of every horse in action over the sticks, Chasers and Hurdlers 1981-82 sets out to be of the greatest practical use in assessing the prospects of runners in any given race.

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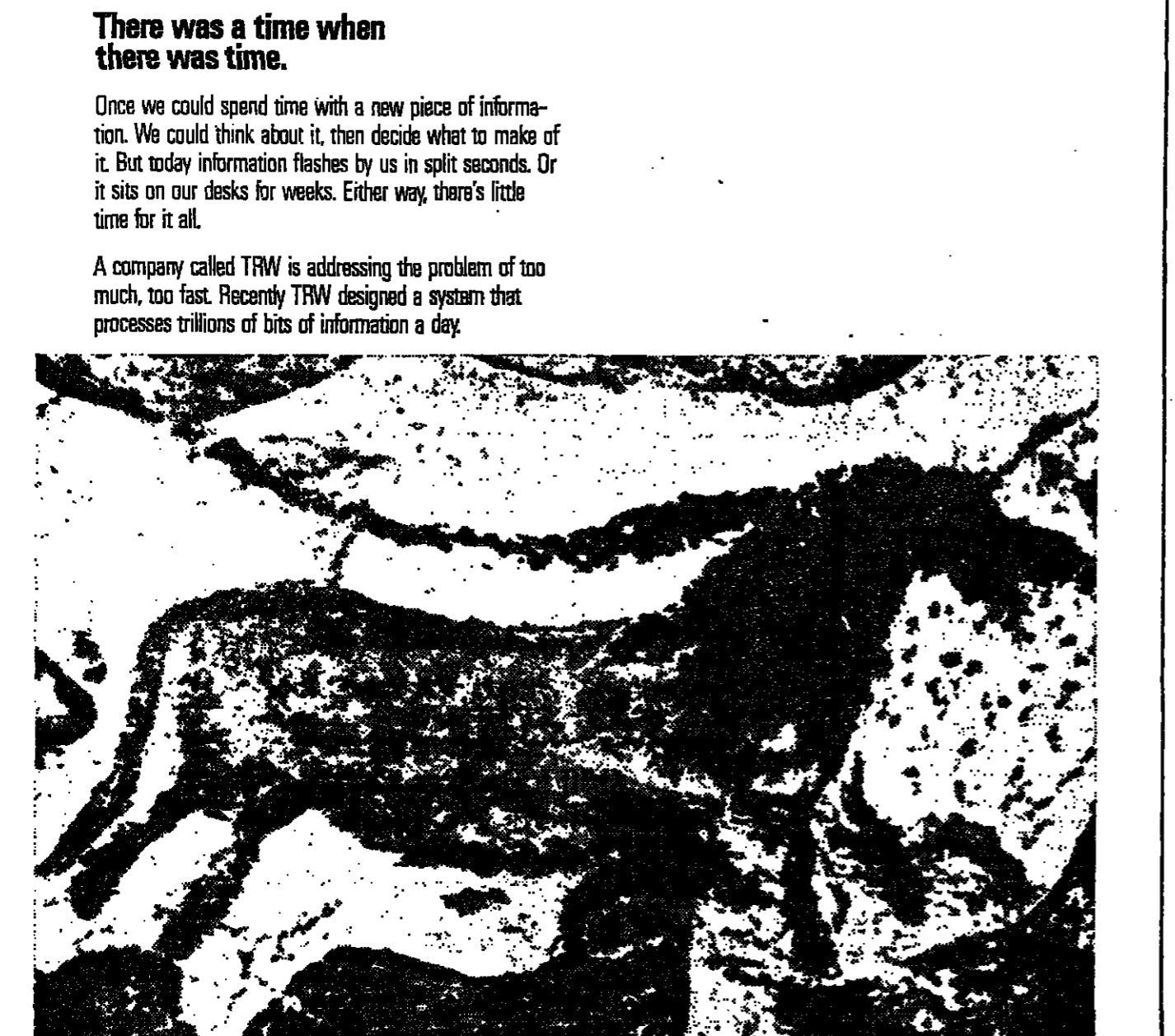
receive in a universal handicap. Ratings range from around 175 (12 at 7 lb) for the best down to below 80 for the worst. For example, last spring's Champion Hurdle winner, For Auction, is with his rating of 174 considered marginally better by the Timeform assessors than Daring Run (171).

As is always the case when the latest editions of Chasers and Hurdlers appears on the bookshelves, there are many bones of contention. Here not a few will disagree with me for think-

ing that, had fortune been kinder to him, Daring Run would have been the undisputed champion hurdler of the 1981-82 campaign. But whatever the merit of that belief, few will disagree on the book's overall quality.

Chasers and Hurdlers 1981-82 is available from Timeform, Timeform House, Halifax, West Yorkshire, at 25s.

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3.30—Hold Tight***
4.30—Kankas**



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THE ARTS

Television/Frank Lipsius
CBS cable casualty

While Britain gets excited by the prospect of cable television, the U.S. has just witnessed the first reversal in the fortunes of a cable network and the prospect of more failures before the medium profitably finds its audience.

The first victim of this dilemma is CBS Cable, a cultural channel that America's most popular network installed less than a year ago with high-minded fare including opera, ballet and serious interview programmes.

CBS Cable was his baby. His secret passion was cultural programming, and he thought CBS could maintain its audience share in the age of cable merely by finding the upmarket watchers who abandoned network TV when it curtailed its off-hours roving in the face of increasing ratings wars.

Besides killing off its own high-minded ambitions, CBS might have put paid to any efforts to link cable television and culture. ABC persists with its own less ambitious cultural channel, but CBS' cable network called Bravo, which CBS at one point tried to lure into buying its cable network, is having its own problems keeping afloat.

This is unfortunate, because its reported production costs of \$100,000 an hour need not be an industry standard. In fact, CBS might have secured of advertisers with its minimum million-dollar budget for potential customers.

If CBS' cable failure proved that advertisers were not ready for the new medium, it may take comfort in the solid standing of the main network. Having won back its ratings preference over ABC, CBS has a number of new network shows that are expected to do well in the coming season.

It struck a lucrative vein in the summer replacement series, Filly Rich, which has been given a slot in the regular season programming. A parody of CBS's own successful prime-time soap opera, Soap, Filly Rich takes place in Toad Hall, a Memphis mansion in which feuding members of Big Guy Beck's family must co-habit by the terms of his videotaped will.

The first episode in the series goes right to the source of the wave of rich southern family feuds with a malicious and funny conflict right out of Cat on a Hot Tin Roof. The rather more delicate manoeuvring

which Tennessee Williams placed before Big Daddy's death occurs over the coffin in the television series, with Big Guy's appearance confined to a filmed reconstruction of his will which is joyfully read to the assembled family members in the presence of the family lawyer.

Dixie Carter is a smiling, vicious daughter-in-law unable to conceal her contempt for the rest of Big Guy's family, which is belatedly revealed to include a simple and unoffending illegitimate son now forced to take up residence in Toad Hall.

Big Guy also leaves behind a voluptuous wife of ten months' standing whose avarice matches her step-daughter-in-law's and contrasts with the homely modesty and appeal of his elderly first wife, played sweetly by Nedra Volz. Rounding out what CBS dubs this "homidical farce" is Big Guy's favourite younger son, Stanley, played by Charles Frank as an independently wealthy bachelor who the women adore.

Besides welcoming an old favourite, Bob Newhart, back with a new series, CBS also resurrects a veteran of the original All in the Family series, Walter Cronkite, for his own series, Gloria, in which she remains the daughter of the now absent Archie Bunker.

The new series takes Gloria into the country, where she finds a job as an assistant to an understanding but firm veterinarian played by Burgess Meredith. As a single parent with a son, Joey, played by Christian Jacobo, Gloria is forced to accept the humbling job that entails cleaning out animals' cages while the rest of the work force labouring out of the vet's home wonder why another employee is needed at all.

Forced smiles and determination show Miss Struthers at her acting best in a series that will present sequences of surmountable obstacles geared for hard times. As the vet asks sweetly in the first episode, "The important thing is the job, isn't it?"

While CBS has improved its day-part ratings of soap operas with provocative shows like the cleverly titled, The Young and the Restless, all the networks share the possibility of having big holes appear in their schedules with the players' strike of the National Football League. It might be said that CBS inspired the players' stoppage with a five-year contract that promises more than a billion dollars to the football league and its teams. The network took the precaution of making a deal to show college football games in place of cancelled professional games, but no one at CBS is willing to estimate the real effect of the cancelled shows on its schedule or income from advertisers.

CBS is also taking a major stake in late-night programming by instituting news programming that network executives consider a good lead-in to their other news shows and a training ground for news broadcasters. Having fought back to regain popularity for its evening news broadcast with Dan Rather, the replacement for the missing Walter Cronkite, CBS News continues to build on the prestige and success of its ever-popular 60 Minutes news-magazine show.

In a period of much change in people's viewing habits, let alone new enticements for entertainment like video games and preprogrammed video tapes, CBS got burned in its initial foray into placing itself for the future. Without William Paley, it may not take the gamble that CBS Cable represented, but it hopes to extend its present advantage as long as viewers show some loyalty to the networks and their generation-long legacy.



Portraits of the artist—Matisse with model in 1939 and a 1932 photograph of Dali.



Art/Roy Strong

Inside the artists' studio

The white womb of the Marlborough Fine Art Gallery in Albermarle Street offers perhaps London's most stylish setting for photographic exhibitions. The ability of the gallery to move from paintings to prints on to photographs in rotation speaks volumes as to our total acceptance of the latter art in a way unthinkable a decade ago.

The exhibition of Brassai's photographs of artists is pure pleasure for the visitor. It is a totally unobtrusive experience and assembles a top of the pops of the art world from the pre-war era. Virtually everyone is dead now and there is no photograph later in date than 1965. So in a way this is an old master show of old masters.

The cast Brassai assembles is one any photographer would envy: Bonnard and Picasso, Léger and Matisse, Dalí and Giacometti, Mollot and Volhard. The photographs remind the onlooker of the sanctity of the studio and the artist's workshop. Without the mystique established by artists of the Romantic movement around their studios Brassai's photographs could never have been taken. They fulfil for us preconceived notions and fantasies. Such preconceptions are fed into our eyes and minds every time the curtain goes up on the first act of La Bohème: the attic, the pile up of half-finished canvases, the palette, brushes and easel, the stove and the view across the rooftops of Paris. It is all still there in the studios Brassai photographed: indeed, in per-

haps his most brilliant photograph, Picasso is seen still sitting by his studio stove even in 1939, well on into the age of electricity and central heating. A stove-pipe also winds its way across a view of Matisse's studio about 1932; it figures in the foreground of a second view of another studio of his in 1937; Braque is still busy stoking-up his in 1946; and there it is again, bespattered with plaster, in Giacometti's studio in 1948.

In the old days the studio would be filled with casts after the antique, or engravings after the great masters. Now it is reproductions of works of art that are pinned up. In the case of Bonnard these include Vermeer's Street in Delft, Unsuspected by Soutar, a Gauguin and a Monet, all of which speak of the visual roots of the man. In that of Dalí it is Vermeer's girl holding a pearl necklace and his lace-maker, Piero della Francesca's crazy profile of Federico da Montefeltre and Raphael's St Catherine. There are those old studio props, the chair and couch. The straw-seated chair in Picasso's studio in the Rue la Boétie draws directly on Van Gogh. A couch sprinkled with paint is pushed into one corner of Bonnard's studio, while on it in Matisse's a nude reclines for the master's observation. The camera focusses on endless palettes: Bonnard's on a table, Dalí's held in an extended hand, Braque at his easel. The master at his canvas is another recurring theme of which perhaps Brassai's most poetic image is the

Paita v. Bruckner/Festival Hall
David Murray

On Monday Carlos Paita brought his Philharmonic Symphony Orchestra to play Wagner and Bruckner on the South Bank. The Prelude and "Liebestod" from Tristan took a long time, being unusually sluggish as well as thick and heavy. We were astonished to find that Bruckner's Eighth Symphony was to follow without a break—it is, after all, a grandly extended work that deserves and requires an alert audience as well as an alert orchestra.

The decision was partly explained, though in no way justified, by Mr Paita's tempo. He got through the entire Symphony in about 70 minutes, despite taking the Adagio at conventional speed (though

virtually without expressive punctuation). Brucknerians will be able to deduce from how matters went, if they can overcome their disbelief: both Allegro moderato movements of the first and the second of the "New Allegro" Finale were driven along at a frantic molo allegro. There was no room for serious exposition, nor for any kind of musical articulation; it all sounded the same, like a jittery gallop through mud. All the players (who included many excellent performers) could do was to keep up as best they could.

Paita's right arm pumped up and down; his left hand was reserved for warning gestures of restraint to the violins, often when they were about to enter with an important theme. At climaxes the brass swamped everything. There was no reason to suppose that Paita likes Bruckner played this way, or indeed any

other way; except—marginally—in the Adagio, he betrayed no sign of interpretative intentions at all. It was the craziest performance I have ever heard from a professional band.

Harveys 1982/83 arts sponsorship
Harveys of Bristol, have announced their sponsorship programme for Bristol and the West of England for the 1982-83 season.

Once again the principal recipients of this sponsorship will be the Bournemouth Symphony Orchestra and the Bournemouth Sinfonietta. For the eighth successive

Festival Berlioz/Lyon
David Murray

If the Lyon Palais des Sports administered what Le Monde called "le K.O. acoustique" to Benvenuto Cellini, Berlioz flourished in other halls. In fact the Festival opened out-of-doors with a concert of Berlioz arrangements by the city wind band (and two harps) in a civic experience that is a musical one. But then we trooped into the Auditorium Maurice Ravel, which may have the most comfortable concert-seats in the world, to hear the newly created Orchestre Français des Jeunes—a body like our National Youth Orchestra, though more firmly tied to the state music schools—who rose to Festival standard at once.

I wrote last week that there is really too little Berlioz to fuel an annual festival. There are, however, several winning small pieces which rarely appear in regular programmes: the choral triptych Tristia is one of those, and Jérôme Kaltenbach conducted a new Orchestre des Jeunes and the Lyon Orchestra's chamber choir in a performance of great delicacy and as much charm. Next day in La Côte St André, Berlioz's brilliance, the same choir contributed several devastating but neglected songs to dramatised unifications billed as "Une heure d'intimité avec Hector Berlioz" (like one of those Purcell Room musical-biographical exercises, but more historic). In the local chateau we then had Harold in Italy with Liszt's piano transcription of the orchestral part, which would have been memorable if the splendid violist Gérard Caussé had been matched by his partner, the merely efficient Jean-François Heisser.

Back in Lyon, the Philharmonia to give one concert three times with Marek Janowski. By a curious chance, I reached home days later to find Radio 3 broadcasting the Royal Lear Overture conducted by Baudouin, the Festival's artistic director, whose Festival performance has been confined to the half-hearted Cellini; Janowski and the Philharmonia began with Le Roi Lear, and it revealed a Berlioz conductor of the first order. It is a work of knotty potential, difficult to shape as a whole. Maintaining iron control, Janowski laid bare the subtle nerves of the score, and made more of the sharpness of its events—the shudders on the heel, the unprepared plunges—than I have ever heard done: a revelatory reading.

No less penetrating sympathy was lavished upon Hermine, the very early cantata with which Berlioz failed to win the Prix de Rome. It takes a proper Festival to bring the likes of Grace Danbury to sing only such a work; she delivered it with superb conviction and a

Allegri Quartet/Wigmore Hall
Andrew Clements

Its labours in the lunchtime Beethoven cycle at the Barbican ended, the Allegri Quartet relaxed in less demanding fare at the Wigmore Hall on Saturday. The group was joined by Sarah Francis for two Boccherini quintets for oboe and strings.

Boccherini wrote six oboe quintets as his Op. 45. None of them is substantial; the whole set fits comfortably onto a single LP. They make cheerful and agreeable concert openers though the sixth in D minor, with which Miss Francis and the Allegri chose to end, suggests greater depths, and works out its material with considerable ingenuity; the oboe is treated as an equal partner in the texture, rather than given star treatment.

Yet, despite their lack of pretension, the quintets need careful handling. Close attention to balance and the niceties of phrasing are required, and the Allegri put too heavy a hand on much of the music. Good though it was to hear the quartet producing such a robust sound after the thinness of its playing two weeks ago in the Barbican, more thought and less enthusiasm would have been appropriate. Miss Francis's busy oboe tone was often obscured. As she proved in Britain's Ovid Metamorphoses, she is more than capable of making the tiniest nuance heard in that hall, but where Boccherini's writing seems to imagine an equitable balance between oboe and violin, here the violin invariably won.

THEATRES
ALBERT HALL, 215-217, W.1. 01-437 2222.
ALBANY, 215-217, W.1. 01-437 2222.
ALBANY, 215-217, W.1. 01-437 2222.
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NEW LONDON, CC Drury Lane, W.1. 01-495 0072.
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F.T. CROSSWORD PUZZLE No. 4984
ACROSS
1 Shell makes vehicle speedy (8)
5 Tops airman taking wine (8)
9 Cup winners out of debt? False (8)
10 Way to final word on part of plant (6)
11 Make too much of problem, of slow cricket (8)
12 Point to sounds from rock group (6)
14 Reason Paddy has pudding (6, 4)
16 Ancient smoky city (4, 6)
18 Sugar supplier embracing Northern Island doggy (6)
23 Fellow-soldier goes to gallery to think (8)
24 Smoking jacket? (6)
25 Fancy leaning towards visionary (8)
26 Soup starter plenty try (6)
27 Break nose (8)

Solution to Puzzle No. 4,983
PASTOR CHAPERON
GRADING ROOMS
KING OF THE
IRON DEERFLY
C R M S C B
GATEWAY AIRWAY
E R G I A R A B
STRIMBER STARCH
SPOONERS SOCIETY
SPOONERS SOCIETY
CANTATA MAPPERS
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Tuesday September 28 1982

Social welfare under question

IT IS perhaps one of Mrs Thatcher's greatest political achievements that she has, over the past three years, succeeded in blunting the British electorate's expectations of what government economic policy can deliver. Admittedly the government's recent relative popularity owes more to its handling of the Falklands crisis and to Labour's ineptitude than to its management of the economy.

But these factors alone cannot explain away the conjunction of more than three million unemployed and the findings of recent Gallup polls which show that the Conservatives have lost only one per cent of the voters' support since the last election, compared with a fall of 10 per cent for Labour.

Whether the electorate will show the same apparent tolerance of unemployment if the social security safety net is the subject of draconian cuts is another matter. The initial public reaction, in so far as it can be detected, to the Central Policy Review Unit's recently leaked suggestions for radical cuts in the welfare state has been less than euphoric. And it is instructive to consider, in the same context, the fate of West Germany's Free Democrats in this weekend's election in Hesse.

No doubt they lost their representation in the state parliament primarily as a result of the unattractive manner in which they deserted the coalition with Mr Schmidt's Social Democrats. But it seems probable that some voters were also frightened by the Free Democrats' sweeping proposals for cuts in welfare spending.

Better placed

Britain is in many ways better placed than other developed countries. Its financial problems are less severe. And the pension system is in less trouble than, say, that of the U.S. where the level of funding is desperately low in relation to pension liabilities. But unemployment is relatively high and looks like remaining so for some time. Successive British governments have also chosen to spend more on defence, as a percentage of gross national product, than any other Western nation apart from the U.S.

A genuine ideological debate now looms. On one side are those who believe that the whole welfare structure is precisely what makes it so difficult for the European economies to adjust to the shocks that have confronted them since the first oil crisis in 1973. On the other, stand those who believe that social maintenance expenditure is the one stabilising factor in an otherwise bleak economic and social landscape.

The long-standing post-war obligation to provide a comprehensive social insurance guarantee has always rested on the assumption of continuing economic growth. Any politicians willing to declare openly for an early arms control agreement, and the assumption must be questioned, deserves some admiration. But it is simply not good enough to conduct the debate in private on the basis of an unpublished Think Tank document. Let us at least have a Green Paper before going further down the road.

Debate

Mrs Thatcher's belief in fiscal rectitude is such that she can be relied on not to let the CPRS ideas to be quietly swept under the carpet. So they are bound to give rise to continuing debate.

In one sense there is nothing surprising or, in the view of some economists, inherently undesirable about public expenditure taking 45 per cent of Britain's gross domestic product. That is not high by the standards of other developed countries. And a rising demand for services such as health, education and retirement benefits is a natural concomitant of rising incomes.

Trouble arises, however, because these public sector services are peculiarly resistant

The Sino-Soviet overtures

LIKE a pair of divorcees, the Soviet Union and China seem to be warily trying to get back on speaking terms, rather than spitting terms. While the Sino-Soviet split of the early 1960s probably shattered their romance for ever, the two Communist giants are discreetly attempting to patch up some of their old quarrels.

The Soviet Union has been publicly making the running in this cautious diplomatic dance, but China has not remained totally a wallflower.

Significantly, President Brezhnev has chosen to make each of his two visits this year to Soviet Asian republics the occasion for a public overture towards Peking. This week he repeated, in Baku, that "normalisation and gradual improvement" of relations with China was a "very important" matter for the Soviet Union. This was less detailed and less fulsome than his Tashkent speech in March, but it showed that even after the Soviet public reaction to the Peking leadership to his March initiative, Mr Brezhnev is persisting.

Mistake

Evidently, Mr Brezhnev sees grounds for hope that persistence will pay off. The Chinese have agreed to receive a senior Soviet official, expected to be Mr Leonid Ilyich, a deputy foreign minister, in Peking next month. This could lead to a resumption of the Sino-Soviet border talks, last held in 1978 and suspended indefinitely by China after the Soviet invasion of Afghanistan. This caps recent reciprocal visits by the Soviet Union's topologist to Peking and China's top Sovietologist to Moscow.

It would, however, be a mistake to expect, or fear, that any big breakthrough of the kind that would change the present world balance of power. Peking has said quite clearly that it wants to see deeds, not just fine words, from Moscow.

It has a long list of grievances with the Soviet Union: the maintenance of half a million Soviet troops near its border, the Soviet refusal to remove a dangerous source of world instability. In addition, the conditions which China would probably set as the price for rapprochement are unlikely to cause the West disquiet.

GENERAL MOTORS "S" car, unveiled across Europe today, looks superficially like many other small cars. But its launch represents the culmination of an expansion programme which has changed the face of the European motor industry. Not since Ford introduced the Fiesta in 1976 has there been such a fundamental shift in the balance of power within the European industry.

For, like Ford in the mid-1970s, GM is entering a sector of the market in which it has not been represented before. And it is doing so with brand new capacity placed in a country—Spain—where it previously had no manufacturing facilities.

However, the project goes further than Ford's because GM has used the opportunity provided by the boost in its car assembly capacity rapidly to increase its component manufacturing operations in Europe.

In this context GM likes to remind anyone who will listen that it is not only the world's largest vehicle producer but also the leading component maker.

GM's expansion plans treat Europe as a single entity rather than a collection of individual countries. That may have its dangers as last week's threat by Britain's Transport and General Workers union of a ban on imports of the "S" car to Britain clearly shows.

It would indeed be ironic if GM and Ford—two U.S. multinationals who took the concept of the European Community at more or less face value and have organised to take advantage of it—should fall foul of the growing protectionism within the national motor industries.

Since GM embarked on its European programme in 1978 it has spent \$2.4bn (£1.4bn), much more than the cost for a new car alone.

Was the money well spent? Certainly the "S" car, to be sold on the Continent as the Corsa, will have a dramatic effect on GM's position in Europe's highly-competitive car markets.

It provides:—

- Entry to a sector which accounts for about 25 per cent of total European new car sales—or 2.5m vehicles—but which is much more important in some key markets. For example, cars of Corsa's size take more than 50 per cent of the market in Portugal, 43 per cent in Spain and around 34 per cent in both Italy and France.

"If you don't have a car of that size, you are not playing in a large piece of the playground," says Mr James Waters, GM vice-president for all operations outside North America. Within two years GM aims to have an 8 per cent "piece of the playground."

- An immediate jump into a top position among manufacturers in Spain, one of the few markets with potential for good growth left in Europe. GM's new plant has the capacity to produce about 270,000 cars a year. In 1981, admittedly a depressed time, Renault led Spanish output with 269,000,

followed by Ford, 248,000 and the locally owned Seat, 205,000.

- A 25 per cent increase in GM's European car-making capacity, taking it roughly to the same level as Ford's around 1.1m-1.2m.
- A change to increase European market share from the current 10 per cent by about 2.5 percentage points. By comparison the European leaders half-way through 1982 were Renault with 14.5 per cent, the Peugeot-Citroen-Talbot group, 14.2 per cent, Fiat, 12.9 per cent, Volkswagen-Audi, 12.3 per cent and Ford, 11.9 per cent.

The implications are obvious: the "S" car will, if it is anything like reasonably successful, have more impact on Renault and Fiat than the other makers. These two companies rely heavily on small cars to give them their market share.

GM intends to make its main attack with the Corsa in Italy and France as well as the car's "domestic" market, Spain. And the Corsa should appeal to a wider audience than the Renault R5 or the Fiat 127 because it is offered in a bootied version as well as a hatchback.

The thrust into a new market sector is not being operated by remote control from Detroit but via GM's main European company, Opel of West Germany, which it has owned since 1929, but only decided in the mid-1970s should be responsible for all European car developments.

Opel holds second place to Volkswagen in West German car sales with a 19 per cent share and claims to outsell GM's main rival Ford in every Continental car market except the UK and Spain.

Although the Spanish plant is owned by GM-España, a new company, Opel owns 37 per cent, designed the new assembly plant and trained its key employees. All design, engineering and styling of the Corsa was carried out by Opel engineers who made sure that many of its components were based on those used in the Opel Kadette (Vaux-

hall Astra) and Ascona (Vauxhall Cavalier).

GM's expansion of car-making capacity is causing some heart-searching at Ford of Europe, Renault and Fiat. Some of GM's suppliers are also very nervous about the U.S. group's intention to "go vertical" in Europe and build up its component operations.

As Mr Waters says: "There is a lot of profit to be made from components, particularly if you sell to other manufacturers."

GM has put new component capacity into Cadiz (steering columns, steering gear, front-wheel-drive axles) as well as at Logrono (seat trim covers, headliners, instrument panels, consoles, and bumper fascias) in Spain.

Other components are made in Northern Ireland (seat belts, exterior mouldings), England (steering columns, exhaust valves), France (batteries and heaters), and Portugal (rubber and plastic vehicle components).

The theory is that rivals are



The map shows the major locations where GM has expanded to coincide with the introduction of the "S" car: Spain, four new plants, one of them for assembly at Zaragoza; Austria, two new plants, for engines and transmissions; UK, expansion at Belfast and Hendon; France, new plants for batteries and radiators; Portugal, new plants for rubber and plastic components

more willing to do business with a separate component company within GM than with a subsidiary of one of GM's car or truck businesses.

GM is very aware that its expansion programme could not have come to fruition at a worse time. The recession has cut sales in most European markets, leaving the industry with the capacity to make in more cars than it can currently sell.

So Mr Waters hastens to point out: "Our expansion can in no way be considered an 'invasion'." On the contrary, it indicates our intentions to compete in European markets as European producers."

He also insists there is no overcapacity in Europe—just under-used capacity. "And perhaps some of it is in the wrong place."

GM, like Ford, believes that car demand in Europe will recover slightly next year to 10m, move to 11.5m in 1985 and rise to 13m by 1990. In the light of those forecasts its expansion programme would simply enable it to keep pace.

Even so, GM has run into flak from unions in both Germany and the UK. In Germany the unions say it looks suspiciously as if GM is moving capacity from a high-cost country to a low-cost one. In the past couple of years the number of GM jobs at Opel in Germany has been cut by around 9 per cent, from 66,000 to 60,000 and this has aggravated union-management relationships.

Mr Waters points out that there has been heavy investment to modernise the Opel plants in Germany during the past five years—DM 6bn (£1.4bn) in all—and another DM 1.25bn (£295m) five-year project was carefully timed to be announced in July this year.

The unions in Britain have a formidable ally in BL's chairman, Sir Michael Edwards—at least for part of their case. Their complaints are directed not so much at GM as at the Spanish Government. Cars made in Spain attract only a 4.4 per

cent duty when they arrive in the UK but British cars are charged nine times that—36.7 per cent—to get into Spain. This price the Metro out of the market. Sir Michael believes that, given an even chance, BL could sell 15,000 to 20,000 Metros a year in Spain.

Job cut-backs at Vauxhall in Britain have been more severe than at Opel and the workforce has been reduced by nearly 40 per cent, from 33,000 to 20,500 in the past two years. Another 1,300 jobs have gone from GM's component and diesel engine companies.

The unions would like to see some "S" car assembly in Britain to help preserve the remaining jobs and have threatened to stop the car leaving the docks—a threat which might also envelop Ford's Spanish-made Fiesta.

This is one problem which should solve itself if Spain joins the EEC and has to trade freely with other Community car makers. Mr Waters says that when the country was selected for the "S" car project—back in 1978—GM assumed Spain would join the Common Market in the 1980s and looked at 1982 as the probable date. EEC membership was an important consideration.

Perhaps GM's greatest defence against protectionism is the sheer spread and size of its European operations. Any barrier put in its way by one country would have an impact several others.

The group employs direct 120,000 in 39 plants in 17 countries in Europe. The new operations in Spain are creating about 11,000 jobs there and 2 engine and transmission plant about 2,500 in Austria when the facilities are fully on stream.

There has been a considerable flow of capital from Detroit to Europe to make the expansion programme possible—some official estimates suggest \$3bn has been exported about £2bn (£1.2bn).

This was during a period of severe financial pain for the group. In 1980 GM suffered net loss of \$782.5m following net profit of \$2.9bn the previous year. Last year its net profit was a tiny \$333m on sales of \$62.7bn.

But 1982 looks like the beginning of a new beginning for GM. The "S" car (Ascona-Cavalier) has proved a huge success story, shot into the lead in 8 intermediate car class in Europe with a 14.7 per cent market share, overtaking Volkswagen Passat-Audi 5 which now has 12.5 per cent and the Ford Cortina-Taunus, 10 per cent.

With the "S" car building up to an output of 200,000 next year, Opel should get back into the black and even Vauxhall expects to see its first net profit since 1978.

Mr Waters sums up: "1982 will be the turnaround year for GM in Europe. The 'J' car will have a full year, as will our new 'Family Two' petrol and diesel engines. The 'S' car will keep up the momentum."

There is also major investment in Austria where new engine and transmission plants are side by side. They will supply not only the Corsa but other Opel vehicles.

Mr John Rhams, Opel's director of administration and finance, points out that the expansion "will give GM's component companies in the States a chance to dip a toe in the European waters. The increase in assembly capacity has allowed us to expand our component business quickly without doing too much damage to our European suppliers—at least the change should be less painful."

Opel has not been given responsibility for the new component plants. These are being operated from the U.S. by various GM subsidiaries. GM keeps its component operations separated from the car and truck companies because it wants to build up sales to its rival vehicle manufacturers.

The theory is that rivals are

	1979	1980	1981	1982
Total market	10,648,944	10,172,264	9,843,977	9,915,830†
Small car sector	2,396,892	2,413,275	2,448,041	2,474,276†
Market share:				
Polo	126,581	114,372	107,977	49,879*
	5.3%	4.7%	4.5%	5.5%
Fiesta	360,506	364,164	355,563	133,160*
	15.1%	15.2%	14.7%	14.8%
Renault 5	422,268	550,583	512,069	167,539*
	17.7%	20.9%	21.2%	18.4%
Mini/Metro‡	121,807	110,131	183,980	64,855*
	5.1%	4.6%	7.6%	7.2%
Fiat 127	375,591	329,591	312,706	128,721*
	15.8%	13.7%	13.0%	14.3%

† Forecasts. * Four month's figures. ‡ Metro introduced end-1980. Source: General Motors

Men & Matters

Never a cross word

The Financial Times crossword has shown it can move men and matters mightily.

Cross words over it have left British Shipbuilders' Scott Lithgow yards on the Lower Clyde at the cross roads as far as their future is concerned.

Some 300 players at the yards went on indefinite strike yesterday and the FT crossword plays a central role.

Two shop stewards, Patrick Clark and John Gillishan, had turned to the crossword in an attempt to while away an idle hour during a break in a company training programme.

The two stewards say that a foreman told them to put away the crossword in a "dictatorial fashion."

Amused at being thus disturbed in the midst of their musing the two are said to have responded rudely and a spirited discussion then took place. It resulted in Clark being sacked and Gillishan suspended by the management which later refused to reinstate them. Then their fellow players walked out.

Cameron Parker, chief executive of Scott Lithgow, says the strike could affect the delivery of the BP tanker British Spirit. And it could make the yard liable for penalty clauses.

Clark explains his good taste in newspapers thus: "I usually get the Financial Times and the Lloyd's List every morning as they keep me abreast of what is happening in the ship-building industry."

"Usually, I manage to finish the FT crossword in the tea break. But that morning we were both stumped by some of the clues."

State tours

The number of U.S. businessmen making the European Grand Tour grows as corporate executives seek out Continental fund managers, European markets and export prospects. Their itineraries suggest that larger scale maps might be a help. There is a tendency among some of the visitors to see England and Luxembourg as the equivalent of opposite ends of a state like Texas.

The latest to arrive, Geoffrey Scharfenberger, chairman and chief executive officer of City Investing, the New York insurance, housing and manufacturing company, is to visit London, Glasgow, Antwerp, Brussels, Frankfurt, Geneva and Zurich, in the course of a ten-day visit.

European bankers will be eyeing City Investing as a prospective borrower as well as an investment vehicle. Scharfenberger believes that around 10 per cent of his company's stock is held in Europe, although like many U.S. company chairmen he is foxed by the Continental preference for nominee names.

As a possible borrower, in Europe, the company could be more interesting, since its insurance and housing interests make it a strong contender in money markets in the U.S. It expects to turn over \$275m in Europe this year, from activities ranging from photo-processing in

Long wait

The appointment to the board of Rolls-Royce of William Duncan, aged 60, as the prospective successor to the chairmanship when Lord McFadden retires, represents the final curtain in the drama surrounding the choice of Harvey-Jones as ICI's new chief a year ago.

Duncan, a Glasgow engineer, was the "conservative" candidate for the chairmanship but lost out to Harvey-Jones—the second time he had failed to secure the top job in his 41 years at ICI.

He is one of the two deputy chairmen at ICI and will, in accordance with custom, also quit as a director when he joins Rolls-Royce.

Duncan admits to having once before thought of leaving ICI. That was long ago, he says, when he was running a small engineering subsidiary and he felt bored.

He sees his new job at Rolls-Royce as "providing the right kind of leadership."

Polite picket

A lesson in the etiquette of industrial action is given by the workers of Hong Kong's Nam Fung textile firm.

Staging a mass demonstration to lobby for higher severance pay, they eschewed the coarse slogans which characterise British events of this kind.

A 30-foot long banner was unfurled bearing the message, "We request the Nam Fung management to have sincerity in their negotiations."

Party day

Last Sunday was going to be Geydar Aleyev's big day. The ambitious Communist Party boss of the Azerbaijan republic of Russia was about to be presented with the coveted red and gold standard of the Lenin Prize in recognition of the Republic's economic achievements,

Men & Matters

Belgium and the Netherlands to its sizeable transport container operations.

Its borrowings on European markets are at present only \$80m, a drop in the bucket of consolidated long-term debt of \$872.5m.

So Scharfenberger will be casting a keen eye on European money sources during his trip. But bankers in Glasgow and elsewhere will have to compete with the 12 1/2 per cent rate City Investing pays in New York for inter-bank funds.

Long wait

not least the offshore drilling techniques it has pioneered in the Caspian Sea.

Aleyev played host to Soviet President Leonid Brezhnev who had flown from Moscow.

But in the huge Baku congress hall in front of nationwide TV cameras Aleyev's moment of glory turned to ashes.

Brezhnev, looking puffy and tired, had no sooner read the first paragraph of his speech than Aleyev's face turned grey and he stared like a man who realises he has just been struck by a truck.

Brezhnev had started reading another speech which did not mention the Lenin Prize but was listing a litany of economic statistics.

Three minutes later an aide tugged at Brezhnev's sleeve, whispered in his ear, and proffered the right speech.

With the practised air of an old trouper Brezhnev said: "As you see it is not my fault. I am going to start all over again." The hall filled with nervous laughter. Nobody looked more nervous than Aleyev.

Brezhnev's microphone was still on as he presented the standard. The Azerbaijan boss said repeatedly "Thank you, dear Leonid Ilyich, thank you, thank you." Brezhnev cut him short: "How do I get out of this place?"

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K for Industry

CANTERBURY, KENT
New Factory/Warehouse Units
7,730-30,500 sq ft
TO LET

ENFIELD
New Factories & Warehouses
4,730-17,182 sq ft
TO LET

FINSBURY PARK, N4
Last two remaining Units
2,500 & 3,000 sq ft
TO LET

HATFIELD
GREAT NORTH ROAD
Prime Warehouse/Factory and Office Complex
Adjacent A1
120,000 sq ft on 7 acres approx.
FRESH HOLD FOR SALE

MERTON SW19
Warehouse
9,000 sq ft
TO LET

IMMEDIATE OCCUPATION
SOUTHAMPTON
Factory
49,600 sq ft (inc. high office conversion)
TO LET

IMMEDIATE OCCUPATION
AYLESBURY, BUCKS
Modern Industrial Complex
26,000 sq ft on 26 acres
FRESH HOLD FOR SALE

HARMONDSWORTH
Excellent New Units
From 8,000 sq ft
TO LET

King & Co
Chartered Surveyors
1 Snow Hill, London, EC1
01-236 3000 Telex 885485
Birmingham-Edinburgh-Leeds-Manchester-Brussels

John King 1980

Observer

BRITISH RAIL'S FUTURE

The doubters in the ascendant

By Hazel Duffy, Transport Correspondent

"THE RAILWAY industry is fighting for its life. The number of our doubters, if not our enemies, grows every day."

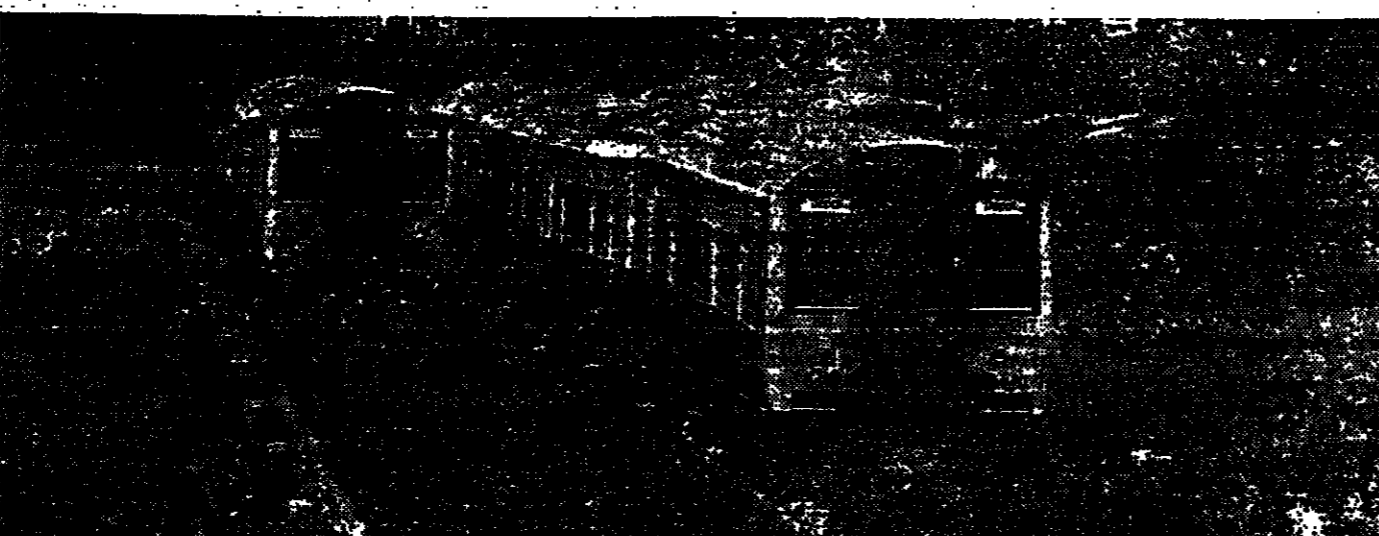
The rapid deterioration in BR's finances this year means that it will have to go cap-in-hand to the Government.

Sir Peter Parker, BR chairman, has long argued that everything he has done in the railways has been per se ad hoc.

Government's role was summarised: "We need only the necessary authorities and the necessary finance."

The go-ahead on electrification, which last year BR thought was imminent, did not materialise.

These targets were to be complemented by a workforce co-operating in revised manning and rostering, and the introduction of new technology.



Unused rolling stock for the newly electrified Bedford/St Pancras line which has been idle for months because the NUR has refused to agree to one-man operation.

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again to be too optimistic, hence Mr Thatcher's decision to refer the electrification studies produced jointly by BR and the Department of Transport to the Think Tank, and to her adviser, Prof Alan Walters.

THE HOLE IN BR'S BUDGET

THE STRIKES this year have wreaked havoc with BR's budget targets, although the latest assessments are some improvement on those made immediately after the July strike.

reviews of Price Waterhouse (at the request of BR), and Peat Marwick Mitchell (at the request of Mr David Howell, Transport Secretary) into the BR's financial workings of BR the internal 1981 five-year plan has been revised to produce new forecasts.

business. In common with most of BR's business, success will depend substantially on price and a guaranteed service uninterrupted by industrial disputes.

Investment is an area where there is a sizeable gap between what BR and Government officials believe is necessary.

The unions, however, continue to express the view that the Government has starved BR of necessary investment money.

London and the South-East sector does not present the same passenger growth opportunities, but revenue from the sector will hold up better from fare increases than Inter-City.

Even if the unions deliver on productivity without further disruption, BR's own forecasts suggest that it will have difficulty in meeting this challenge within the short term.

Even if the unions deliver on productivity without further disruption, BR's own forecasts suggest that it will have difficulty in meeting this challenge within the short term.

Lombard Keynesianism in a new guise

By David Marsh in Paris

IN THE WAKE of President Reagan's ignominious aboufface on U.S. fiscal policy (suddenly, tax increases are good for you), the flaming star of supply-side economics has begun to shine a good deal less brightly.

It is all the more startling, therefore, to record that President Mitterrand's government in France, far from being the red-meat Keynesian demand-managers of popular mythology, has taken a distinct supply-side turn in its economic policies.

We are all, it seems, supply-siders now. But the message from Paris is that steps to boost the supply-side of the economy—incentives for business to invest, measures to alleviate taxes on employment, financial aid for new technology, and so on—are in no way incompatible with Socialist policies.

Both traditional Keynesianism and the Laffer-style tax cuts tried in the U.S. result, after all, in governments running budget deficits.

The difference in France, as one top Elysée Palace official beguilingly explains, is that "We put our Keynesian money not into demand, but into the supply side."

France believes, he says, that the twin problem of insufficient economic growth and outdated industrial production methods have to be tackled by inciting business to invest rather than encouraging consumers to spend.

the economy reflationary push. The policy was given the thumbs down not only by the foreign exchange markets and the French business community. The wiser heads in the Government knew all along that Keynesianism alone would not be enough.

As one of the most important signs of the change, the Government has adopted the creed, which could almost have come out of a Conservative party manifesto, that the emphasis in aid for industry should be moved away from grants and subsidies towards tax incentives.

Last year the government distributed more than FF50bn to companies—three quarters of which was destined simply to prevent factory closures—through a mind-boggling variety of 150 different channels.

Companies boosting research spending above the inflation rate will be allowed tax breaks next year. The government is cutting social security payroll charges in some sectors like textiles for companies which install new technology.

On the financial side, the government is also laying stress on correcting structural faults. Measures announced last month by M Delors to improve the flow of French savings to industry and to curb the traditional attractiveness of short-term investments fit in eminently well with the new supply-side orientation.

Letters to the Editor

Milk surpluses: need for common responsibility

From the Commissioner Responsible for Agriculture, Commission of the European Communities

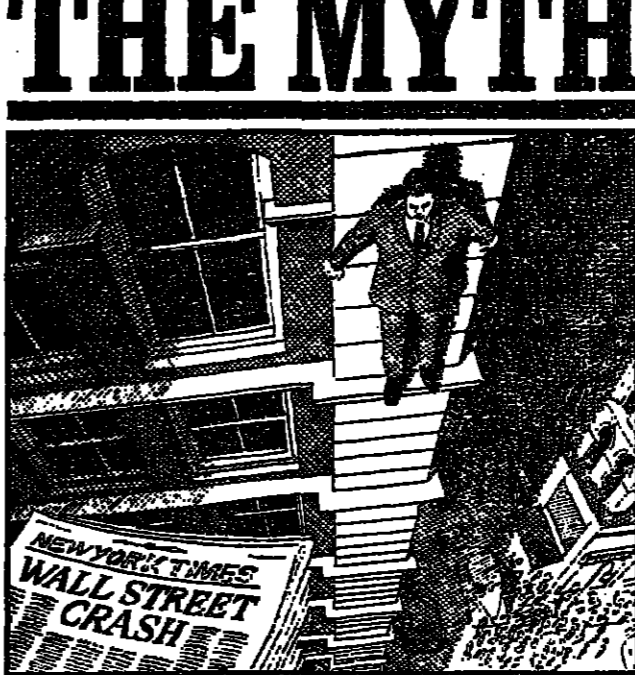
producers in those countries which export more dairy products than they import; in other words, that surpluses should be defined on a national basis.

A few flowers of hope

From Mr A. Graham

COMMODITIES: THE MYTH AND THE REALITY

Is commodity broking really such an extreme form of investment? Do you either end up making a killing or killing yourself? Well, it all depends.



their clients' money down with them. To guard against this, we operate a segregated bank account system. It simply means we have one account through which our business is run and another in which is placed your money for investment.

A negation of one nation

From Mr R. Bonwit

the views of the relatively small section of the population in the high or very high income groups. They live in a pre-Israelian world where the privileged few enjoyed a standard of life denied to the "undeserving poor."

Information for shareholders

From Mr M. Hoyle

Although your outlay in commodity broking is comparatively high, the rewards that can be expected are proportionately much, much greater.

AND THE REALITY

So, you see that commodity broking doesn't have to be run on the hit and miss lines that you may have suspected. It can be an astutely managed business when the people involved know what they're doing and care about how they do it.

Glass houses and stones

From Mr J. Lewis

Sir,—Mr Guinness (September 16) informs us that his neighbours and fellow rate payers from Bromley live 10 miles away from the nearest tube station and object to cheap and rate subsidised tube fares within the Greater London Council area.

There are things more important to us than making money, especially in a society whose problems lie not in the lack of material wealth but in the lack of social, cultural and spiritual richness. I believe that we should encourage the sort of social commitment it takes to be a dedicated teacher, or doctor, or social worker, instead of regretting the loss of this dedication from industry.

And one advantage you have over the person dealing in shares is that you can make money even in a declining market. The controlling factor is the someone who handles your money.

As a new company, our sights are firmly set on establishing ourselves in the marketplace as rapidly and successfully as possible. We can only do that by making money for our clients.

So, you can imagine, with all that behind us we have every intention of succeeding. But, at the same time, we're not blind to the general worries that people have about our business. Companies have been known to go under, because they are badly run businesses, taking

Although several Conservative Cabinet members are obviously not products of Eton or Harrow, the outlook of those supporting the "Think Tank" plan reflects

east London yet through my tax payments to the national exchequer help subsidise loss-making computer services of British Rail. Southern Region, which carry large numbers of Bromley rate payers into central London daily. Why don't these users pay the full cost of

At the time of such actions the small shareholders are bombarded with paper but what information do they receive from their company in the previous 12 months? Certainly an annual report which can from one extreme offer a case of cheap wine at a cheap price to the other extreme where the smiling portrait of the chairman is surrounded by beautiful prose that explains that he is obliged to cut the dividend due to market forces which, despite his salary and the expensive backing he has, he has been unable to foresee: The shareholder might also receive a thin silver of an interim report and possibly statutory information in microscopic print relating to such items as a staff share option scheme.

If you take it to one of the larger, longer standing brokers, you may indeed make a profit. You may not. But what's certain is that there will be a lot of other clients' money jostling for attention with your own. And, if your investment plans are big enough to be taken seriously, the last thing you want is to be the last thing on your broker's mind. You want a commitment in effort to match your own in money. Which is why we unashamedly recommend ourselves.

On top of their sound commodities experience, the bonus is the knowledge and contacts they have gained from years of working on the stockmarket. And, as energy alone is hardly reason enough for asking you to put yourself in our hands, you'll be pleased to hear that, while we're a new company, we're far from green. The careers of Gerry Stagg and Stephen Parris span 22 years and 10 years respectively.

Please give me more information on your commodity and investment services: Name: Address: Tel. No: Parris Stagg Ltd, Bridge House, 181 Queen Victoria Street, London EC4V 4DD

UK COMPANY NEWS

Foseco Minsep down 18%

A DOWNTURN in activity in most major markets of Foseco Minsep has resulted in a decline of 18 per cent in pre-tax profits...

All group sectors have suffered from the adverse economic environment. The group has been particularly affected in North America where activity in industries such as automobile, aerospace, engineering and construction, has been at a very low ebb.

First-half trading profits were down from £15.21m to £12.01m, struck before net interest payable of £3.89m, as against £3.85m.

See Lex

Macallan Glenlivet warning

A rise of £72,000 to £246,000 in pre-tax profits is reported by Macallan-Glenlivet, distiller of malt whisky, for the first half of 1982.

The directors say that while industry sales at home and abroad maintain previous levels, it is thought to be only a matter of time before demand for fillings returns, and perhaps, the first sign of this can be seen in firming prices for aged whiskies.

Travis & Arnold 29% rise and growth is continuing

Travis & Arnold, builders' merchant, increased pre-tax profits by 29 per cent from £9.01m to £11.61m in the first half of 1982 and reports that July and August have also shown a modest improvement over the corresponding period.

In addition the directors say that the recent decline in interest rates could well help the group's main markets in the longer term.

They say that if consideration was given only to current results and present trading performance they would have increased the interim dividend from 0.65p to 0.7p.

Turnover for the six months under review rose from £43.6m to £47.05m and trading profits pushed ahead from £1.68m to £2.06m.

Tax took £1.06m (£805,000) for net profits of £1.54m (£1.21m) and earnings per 25p share of 9p (7.1p).

Galliford lower in second half

SECOND-HALF pre-tax profits at Galliford, industrial holding company, were down from £1.93m to £1.62m, and figures for the full year to June 30 1982 were lower at £3.01m compared with £3.22m.

Turnover of the group—it is engaged in building and development, civil engineering, heating and ventilating, engineering and plant hire—fell from £85.27m to £80.31m.

A & C Black jumps

SHARPLY HIGHER profits were returned by publisher A & C Black for the first half of 1982, the pre-tax figure amounting at £183,000, compared with £55,000 previously.

Stated earnings per 25p share improved by 11.9p to 18.5p and the net interim dividend is being stepped up by 1p to 1.5p—last year a final of 4.99p was paid from taxable profits of £122,000 (£68,000 loss).

Wellman warns of midway losses

A statement from the Wellman Engineering Corporation warns that the strike in the U.S. coupled with the very depressed state of the capital goods market in a country makes it inevitable that the group will suffer "substantial losses" in the half-year to September 30 despite improved profits in the rest of the group.

HIGHLIGHTS

On a quiet day for company news Lex discusses the Bank of England's reduction in the official money market's dealing rates and the prospect for sterling and the real economy.

£129m (£1.09m) was retained. more sweeter as the business carries a weighted margin than that of most other building materials.

• comment Last spring's burst of renewed demand in the construction industry petered out quickly, so Travis & Arnold's improvement at the interim stage is a shade disappointing.

Duncan Lawrie buys three unit trusts

Duncan Lawrie, the banking arm of Walter Duncan and Goodrick, has acquired three authorised unit trusts from C. P. Choullarton, a licensed deposit taker based in Manchester.

George Wills increases by £50,000

A modest increase from £630,000 to £680,000 in pre-tax profits is reported by George Wills and Sons (Holdings) for the first half of 1982.

Disposals delay Renwick results

The directors of the Renwick Group, motor distributor, travel agent and fuel distributor, say a preliminary report announcement will be made in the next 10 days.

R & J Pullman falls

A downturn in second-half taxable profits from a restated £1.01m last time to £0.76m has left R. & J. Pullman with full year figures down 11.5% to £1.57m.

Southampton IoW Steam ahead

In current cost terms, pre-tax profits were £53,000. The company operates a passenger, cargo and mail service between the Isle of Wight and Southampton, and is also engaged in the provision of other shipping and road haulage services, ship repair and general engineering.

John Edward Crowther

A rise from £408,757 to £475,747 in pre-tax profits is reported by John Edward Crowther (Holdings) for the year to March 31, 1982.

Gresham Investment in talks

Gresham Investment Trust, the merchant banking group, has received an approach which could lead to an offer being made for the company's share capital.

The company announced yesterday that discussions had begun but they were at a preliminary stage and the board could give no indication whether they would in fact lead to an offer.

Metalrax 15% up in six months

AS FORECAST at the annual meeting in May, Metalrax Group, Birmingham-based engineering, proved its first half profits. There was a 15 per cent increase from £528,000 to £606,000 for the six months to June 30 1982, and Mr John Wardle, the chairman, says this is completely against the trend of the industry and the region.

Completion delay at Dundonian

There is likely to be a del of approximately five weeks completing the Dundonian scheme of arrangement as outlined in the document sent shareholders on July 2.

Victoria Baby Foods

Victoria Baby Foods, the UK agent for Gallia Baby Food, has appointed a new distributor, Jackel International (UK), a subsidiary of the Arthur Guinness Group, to handle its sales and distribution operations.

Dividends Announced

Table with columns: Company, Date, Current payment, Dividend, Total, Total last year

M. J. H. Nightingale & Co. Limited

Table with columns: High Low, Company, Price, Change, Div. (p), % Actual, Yield

THE TRING HALL USM INDEX

128.9 (+0.1) Close of business 27/9/82 Tel: 01-628 1591 BASE DATE 10/11/80 100

LADBROKE INDEX

578-583 (-1)

Success seen by Bilton as first half improves 33%

A 33.49 per cent advance in pre-tax profits is reported by Percy Bilton, the property investment, development and civil engineering group, for the six months to June 30, 1982 and the directors say they expect another successful outcome for the full year.

At the taxable level profits for the first half showed an expansion of £1.07m to £4.37m, on turnover which advanced from £12.28m to £12.77m during the period.

Disposals delay Renwick results

The directors of the Renwick Group, motor distributor, travel agent and fuel distributor, say a preliminary report announcement will be made in the next 10 days.

R & J Pullman falls

A downturn in second-half taxable profits from a restated £1.01m last time to £0.76m has left R. & J. Pullman with full year figures down 11.5% to £1.57m.

Southampton IoW Steam ahead

In current cost terms, pre-tax profits were £53,000. The company operates a passenger, cargo and mail service between the Isle of Wight and Southampton, and is also engaged in the provision of other shipping and road haulage services, ship repair and general engineering.

John Edward Crowther

A rise from £408,757 to £475,747 in pre-tax profits is reported by John Edward Crowther (Holdings) for the year to March 31, 1982.

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SPARBANKERNAS BANK advertisement with logo, U.S. \$60,000,000, Subordinated Floating Rate Notes Due 1990, and list of participating banks.

WINTRUST PLC advertisement with extract from Chairman's Statement, listing key financial metrics and company information.

سكنا لايصل

Link House £1.1m higher and sees further progress

MAINTAINING momentum throughout the 12 months, and improving from £2.24m to £2.96m in the second half, Link House Publications finished the year to June 30, 1982 with pre-tax profits £1.1m better at £5.65m.

In addition, with a final payment of 8.5p, the dividend total is being lifted from 10p to 12.5p and the directors say they are confident that 1982-83 will keep up the company's record of increased profits in successive years.

A divisional analysis of turnover, £28.25m (£25.15m), and operating profits, £1.12m (£1.25m), for the period under review shows: Exchange and Mart Publishing £14.65m (£13.70m) and £3.24m (£3.43m); Link House Magazines £9.25m (£8.42m) and £1.97m (£2.04m); Blandford Books £2.15m (£1.85m) and £38,000 (£364,000) loss; Link House Communications £25,000 (£32,000) and £222,000 (£188,000) loss.

Unallocated overheads took £1.02m (£802,000), while the contribution from investment income was higher at £697,000 (£543,000). The taxable result was also struck after share of associates loss £28,000 (same) and exceptional cost of £115,000 (£458,000), representing launch and closure costs of offices and a studio.

After tax of £2.88m (£2.12m) and with no extraordinary credit

this time compared with £13,000, the attributable balance emerged at £2.77m (£2.44m). Earnings per 20p share are shown to have risen from 20.19p to 23.09p, and on a OCA basis the taxable surplus is stated at £5.26m (£4.17m).

The directors report that Exchange and Mart Publishing enjoyed another successful year despite some volume decreases. The first of a series of local editions of Exchange and Mart was launched in April covering the Manchester area. Early results are encouraging and a second edition is now being launched in the Leeds area.

As forcast at the interim stage Link House Magazines suffered a decline in profits. Trading conditions deteriorated after the first quarter and difficulties were compounded by the failure of RIG, the women's romantic fiction title, which was discontinued during the year.

Despite continuing uncertainties in the book trade both at home and overseas, Blandford Books increased its turnover by 15.5 per cent, largely due to progress in the U.S., and has reduced its losses substantially. On July 1, Oxford Railway Publishing Company, a specialist book publisher in the transport field, was purchased. Its acquisition will mean a more effective use of fixed overheads and contribute to a further improvement in the division's performance in

1982-83 when a return to profit-ability is expected, the directors state.

comment

With volumes under severe pressure Link House had to look to internal economies and higher advertising and cover prices for growth. Much depended on the resilience of Exchange & Mart where an 8.8 per cent circulation decline was below the market average and classified advertising, in particular, shows good price elasticity. The new local editions may help reverse the weakening trend in circulation and revenue should benefit from the 20 per cent cover price increase in October. Recovery at Blandford is on target for over £100,000 profit next time with the new acquisition contributing some £80,000. But the outlook for the magazines division—with about 20 titles—remains bleak, following the sudden collapse of the advertising market a year ago. The group's only hope is to contain overheads until there is a revival in advertising which represents 63 per cent of revenue and can offer some 60 per cent marginal profit. With 55.8m sitting in the kitty at less attractive returns a major purchase is very likely in the short term. Yesterday the shares jumped 37p to a 1982 high of 270p for a p/e near 12 that expresses confidence.

Downturn at Finlay Packaging

FOR THE first half of 1982 colour printer Finlay Packaging returned pre-tax profits of £272,000, compared with £393,000 last year. The directors say competition in the industry intensified with the recession and resulted in lower margins. Sales fell by £296,000 to £3.81m.

However, they are maintaining the net interim dividend at 0.5p—stated earnings per 5p share were down from 2.31p to 1.49p—a final dividend of 1.75p was paid for the 1981 year when taxable profits totalled £315,000.

For the first year took £144,000, against £195,000, after which the available balance showed a drop from £198,000 to £128,000. Dividends absorb a same-again £43,000.

In July it was announced that Ferguson Industrial Holdings had acquired a further 1,708,700 ordinary shares in the company, raising its stake to 1,805,700 shares or 21.04 per cent. The statement added that the Jefferson Securities Group had disposed of 1,708,700 shares in the company.

comment

Half time profits are down a third but Finlay does not indicate in explanations at the interim stage. Anyway, for the market the main interest at present is probably the 20.1 per cent stake taken in Finlay by Ferguson Industrial, the diversifying hold- ing which has been a major contributor to the company's balance sheet could be a persuasive inducement when Finlay's market capitalisation is only £2.6m at 30p. However, it might be wrong to look for quick action, Ferguson may prefer to watch Finlay's trading performance a while longer. And Ferguson's consistency cannot be guaranteed—it might just walk away.

£1m profit dive at Parker Knoll

A £1.7m loss from Nathan Furniture has caused a fall in pre-tax profits of Parker Knoll from £3.01m to £2m for the year ended July 31 1982. Group sales rose by £6.65m to £54.93m.

At the interim stage, taxable profits were down marginally from £1.18m to £1.13m. Nathan acquired in August 1981, lost £222,000 in the period, but Mr M. H. T. Jourdan, the chairman, said he expected to see an improved performance in the second half.

However, a sharp deterioration in the market from April onwards was particularly severe in the cabinet sector and as a result, Nathan's losses increased. In June therefore, the board decided to close Nathan's furniture factory and concentrate Nathan's production at Edmonton, London.

Although the closure will not take effect until the end of this month, the full costs have been charged in the accounts as an extraordinary item—after tax relief—of £314,000.

Mr Jourdan says he is concerned that the additional losses, which had not been anticipated, have now added significantly to the modest price paid for Nathan a year ago.

He believes, however, that the closure of Worcester results in a productive capacity move in line with likely future demand and that the major expense is now behind the group.

The chairman remains convinced that Nathan will become a significant contributor to the group and that a cabinet company will be of importance in promoting the group's furniture interests in the future.

Excluding Nathan, profits for the year were ahead by 24 per cent from £2.77m to £3.44m. Parker Knoll Furniture and Parker Knoll Textiles increased their contributions—from £1.07m to £1.43m and from £1.1m to £1.24m respectively. Profits from R. Raymakers and J. W. Mercer were £236,000 to £277,000 and Mercia Weavers figures were higher at £85,000 (£59,000).

Group tax charge decreased from £1.24m to £0.72m and after the extraordinary item, profits showed a decrease from £1.7m to £0.97m. Stated earnings per 25p share were down from 24.2p to 17.7p, but the final dividend is repeated at 5p for a same-again

net total of 7.5p per share. Payments again absorb £547,000.

Mr Jourdan says he does not believe there are yet any prospects for a substantial improvement in the group's markets in the current year. However, the decline in interest rates, particularly on mortgages, should encourage customers to spend a little more freely, he states.

The group balance sheet, despite Nathan's losses, remains strong. Stocks and debtors, which increased towards the end of the year, are under tight control, the chairman says. Assets are conservatively valued and have been well maintained, and total borrowings are only a fraction of shareholders' funds.

In this condition, the group can face the future confident that it is likely to obtain a satisfactory share of the markets available at margins that, in present conditions, remain acceptable.

comment

Parker Knoll made a big mistake in buying Nathan Furniture last year. It paid out over £750,000 in acquisition costs, £1.1m to pay off the company's overdraft, and then put in another £1m. What has Nathan given back in return? A pre-tax loss of nearly £1.5m this year. Much of this is due to miscalculations on the part of the parent company. Demand was much worse than it had anticipated, and when it increased Nathan's prices to give better margins, volume was knocked substantially. The chairman admits that the Worcester factory, which he has now been forced to close down, should have been finished with last year. But for the Nathan nightmare, Parker Knoll's underlying growth trend is good. In all the other divisions, both turnover and profits were up, even though the market dipped badly in April. The company is investing about £1.6m this year in new plant and machinery and sees signs that demand in the better end of the market is improving. But since Nathan is unlikely to break even until the end of next year at best, investors are unlikely to see a dazzling performance in the interim figures. At a price of 143p, the yield is 7.8 per cent.

Westland/Utrecht Hypotheekbank nv

Registered Office in Amsterdam

Shareholders, holders of Bearer Depository Receipts, debenture bonds, mortgage bonds and private bonds are hereby invited to attend an Extraordinary General Meeting of Shareholders, to be held at the Maanpost Hotel, Spuiweg 21, Amsterdam, The Netherlands, on Tuesday 19th October 1982 at 10.00 a.m.

Agenda

1. Opening.
2. Approval of the manner of opening of the meeting.
3. Explanation of the transaction entered into with Nationale-Nederlanden and the Algerian burgair pensionfonds on the basis of the Notice sent to and/or made available for inspection by those invited.
5. Any other business.
6. Closure of the meeting.

In order to attend the meeting in person, or to be represented by a proxy, duly authorised in writing, or to address the meeting and exercise the right to vote, shareholders are required to give notice at least 3 days prior to the meeting of their intention to attend the meeting in person or to be represented by a proxy duly authorised in writing, and to address the meeting. Holders of mortgage bonds, private bonds and debenture bonds are invited to attend the meeting in person, or to be represented by a proxy duly authorised in writing, and to address the meeting. Documents containing information concerning the subjects to be dealt with at the meeting will be available for inspection by the above mentioned duly authorised persons from 11th October 1982 until the close of the meeting, at the head office and at the branch-offices of the Company. Copies of these documents, including the proposed amendments to the Articles of Association with explanation, are available in the Dutch language to such persons without charge at the company's head office, Spuiweg 21, 1017 WS Amsterdam, The Netherlands (Tel. 01031 2023131 ext. 415) or at J. Henry Schroder Wagge & Co. Limited, 130 Cheapside London EC2N 6DS. Translations of the Notice in English are available at the same address.

Board of Management.
Amsterdam, 28th September 1982.

Planet rises to £0.6m midway

THE EXPECTED improvement at Planet Group for the first half of 1982 has been borne out. Pre-tax profits for the period advanced to £222,000, which compares with £149,000 for the corresponding months last year.

Sales were also well ahead, rising from £10.46m to £18.06m, and trading profits increased by £305,000 to £888,000 with the overseas contribution coming through at £834,000, against £332,000 — Planet, formerly known as the Percy Lane Group, manufactures windows and doors.

The directors say the group is continuing to trade in depressed markets worldwide and no early improvement in the world economy is expected.

They say the group's plans must assume a possible further deterioration in world trading conditions and an increase in competitive pressures. However, subject to any major unforeseen event, the directors expect to see a satisfactory outcome for the second half of the year.

The net interim dividend is being effectively increased to 0.7p (0.64p) after allowing for the two-for-one scrip — a final equal to 1.33p was paid previously. Half year earnings per 10p share were down from an adjusted 2.61p to 2.08p.

£104,000 to £236,000 and tax took more at £414,000 (£290,000). Extraordinary debits accounted for £103,000.

The figures for the first half include the U.S. companies, which the directors say performed exceptionally well in a depressed market.

They point out that the new ventures mentioned in the chairman's statement last year made excellent progress and contributed to the profits for the period. The group incorporated a new subsidiary to increase sales into the southern states.

Bernard Industries (France) made some progress. At Hardall major management changes have been effected. The product

range has been rationalised by the transfer of window production to Percy Lane, leaving Hardall to concentrate on its waste disposal systems and architectural pressed metal and glass. The trading loss at Hardall in the first six months amounted to £180,000, before redundancy and reorganisation costs of £103,000, which have been treated as an extraordinary item. The benefits from these actions should start to be evident during the second half of the year.

In a statement in May Mr R. P. Lane, the chairman, said he expected an improvement in first half results and a satisfactory performance was expected in the second half.

Glossop makes progress in first half

TURNOVER of public works contractor Glossop rose by £3.12m to £11.87m, while pre-tax profits for the six months to July 31 1982 improved by £14,000 to £419,000. The results include one month's trading contribution from ARA Industries.

The directors say the results are satisfactory, bearing in mind the costs incurred in streamlining the new enlarged group.

The interim dividend is unchanged at 1.575p net—last year, payments totalling 6.084p were paid on taxable profits of £329,000 (£876,000).

Tax charge for the half year was up £6,000 at £196,000.

Thorn EMI forecast confirmed

THORN EMI told a meeting of City analysts that profits before depreciation were expected to be similar to last year, the depreciation charge would be up to £20m higher and interest charges could increase by up to £7m.

The company also said it expected borrowings to increase by between £70m and £100m during the year, to reach a closing level of between £320m and £350m. It added that it was not its present intention to raise further equity capital and emphasised that with the seasonal nature of its business, it was difficult at this stage to forecast full-year pre-tax profits.

A.C. Cars losses cut

TURNOVER of AC Cars fell from £375,000 to £299,000 for the six months ended March 31 1982, and losses were suffered for the period, although they were down from £295,000 to £163,000, at the pre-tax level.

The directors say that no improvement is anticipated during the second six months, although increased levels of order-intake should result in an upturn during the first half of 1982-83.

Again there is no dividend

Planet rises to £0.6m midway

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We are pleased to announce the establishment of a London office at 30 Finsbury Square London EC2A 1SB 626 2801-05 Telex 299 091 HQ (answerback bridge G)

Alan Adam, General Partner
Julia Pike, Administrative Assistant

HAMBRECHT & QUIST
INVESTMENT BANKERS

San Francisco New York
London Los Angeles
pending NYSE approval

HALLITE PLC

Manufacturers of precision seals and components in engineering polymers

Summary of results for the year ended 1st May, 1982

	1982	1981	Increase %
Turnover	9,263,016	8,190,340	+13
Profit before tax	955,426	607,853	+57
Earnings per share	32.5p	24.9p	+31
Dividends per share	11p	7.75p	+42

Highlights from the Statement by the Chairman, Mr J. Gordon—

- The results represent a satisfactory outcome in the difficult economic trading conditions despite the distraction of defending the company against an unwelcome take-over bid.
- After a good second half performance group profit before tax showed an increase of 57% over the previous year and exceeded by 12% the forecast made in November 1981.
- Group sales outside the UK, increased to 36% of the total sales in 1981/82.
- In pursuing the group's continuing search for acquisitions, Alenco Hilyi Limited and our distributor in Sweden, Tyspak AB, were acquired in July 1982.
- The group has weathered the storms of recession well and is in a strong financial position. I, therefore, view 1982/83 with confidence.

Copies of the Report and Accounts are available from the Secretary, 130 Gifford Road, Hampton, Middlesex TW12 2HT.

RICARDO'S CONTINUED PROGRESS

Group pre-tax profits increased this year by 51% from £1,150,000 in 1981 to £1,735,000.

We believe we shall maintain this level of activity in the year ahead which we face with confidence.

An important factor in this performance has been the turnaround of Ricardo's subsidiary company, Cussons which is now in profit.

Despite the economic depression in so many of the countries in which Ricardo operates, contract work has remained at a satisfactory level, with new client gains in Western Europe, Canada and the Far East.

Financial Highlights

	1982	1981
Turnover	£9,631,000	£8,958,000
Operating Profit before Interest	£1,538,000	£1,179,000
Profit before Taxation	£1,735,000	£1,150,000
Profit after Taxation	£1,410,000	£773,000
Earnings per Share before Extraordinary Items	38.3p	23.7p
Dividend per Ordinary Share	8.35p	8.50p

Ricardo are consulting engineers, providing a design, development and research service to a high proportion of the internal combustion engine and vehicle manufacturers of the World.

Cussons, whose activities are complementary to those of the parent Company, manufacture industrial instrumentation, particularly that required for engine test work.

For your copy of the 1982 Report and Accounts simply fill in your name and address and send to: The Secretary, Ricardo Consulting Engineers plc, Bridge Works, Shoreham-by-Sea, West Sussex BN4 5FG.

NAME _____
ADDRESS _____

This announcement appears as a matter of record only

Commercial Paper Program

Hoechst Capital Corp.

headquartered in Somerville, New Jersey, USA under the guarantee of

Hoechst Aktiengesellschaft
Frankfurt am Main, Germany

Hoechst

We serve as the commercial paper dealer for this program.

Goldman, Sachs & Co.
New York

Galliford

PRELIMINARY ANNOUNCEMENT

Year to 30th June	1982	1981
Turnover	60,305,000	65,270,000
Profit before taxation	3,007,398	3,316,633
Taxation	1,208,310	1,172,021
Profit after taxation	1,799,088	2,144,612
Interim dividend per share—paid	0.7p	0.5625p
Final dividend per share—proposed	2.0p	1.9375p
Total dividend for the year—paid and proposed	2.7p	2.5000p

Notes:
Dividends for 1981 adjusted to reflect one-for-one capitalization issue in November 1981.
Audit of accounts completed and unqualified audit certificate given.

GALLIFORD PLC
WOLVEY HINCKLEY LEICESTERSHIRE

Gold Fields

Notice of Annual General Meeting

The Annual General Meeting of Gold Fields (P.L.C.) will be held at the Grand Hotel, Grand Hotel Terrace, One Hamilton Place, London W.1 on Wednesday, 27 October 1982 at 11.00 a.m. for the purpose of the following business:

- To receive and consider the audited accounts for the year ended 30 June 1982, together with the reports of the Directors and to take a final dividend.
- To elect Directors.
- To re-appoint the Auditors and to authorise the Directors to fix the Auditors' remuneration.
- To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:

That the Directors be and are hereby empowered pursuant to Section 15 of the Companies Act 1980 to allot equity securities of such amount, in such form and subject to such conditions as they may think fit, and to authorise the Directors to do so, provided that the aggregate amount of such securities shall not exceed the amount of the share capital of the Company as at the date of the meeting of the Directors.

Consolidated Gold Fields PLC
49 Abchurch Lane, London EC4N 3DF

COMPANY NOTICES

MURATA MANUFACTURING COMPANY, LTD. (CDRs)

Referring to its announcement in the press of 20th June 1982, the undersigned announces that the offer of shares from the CDRs has been completed.

As from 27th September, 1982 the new CDIC Murata Manufacturing Company, Ltd. will be incorporated in the Cayman Islands. The new company will be a wholly owned subsidiary of Murata Manufacturing Co., Ltd. of Japan.

URQUIJO INTERNATIONAL N.V. U.S.\$300,000,000 Floating Rate Notes due 1985

For the six months ending 30th June 1982, the interest rate on the Floating Rate Notes will be 12.5% per annum.

RAIWA HOUSE INDUSTRY CO. LTD. (Dhivehi House Maldives Kaituma)

Holders of the 100,000 convertible shares of the Company are invited to attend the 11th Annual General Meeting of the Company to be held at the RAIWA House, Maldives, on 27th October 1982.

ANNOUNCEMENT

DEWARNEY LTD., Messines Road, St. Leonards, Devon, PL20 9JL. Telephone 031-884 9001.

TRAVEL

THE SUN SHINES

All the time in the WEST INDIES. We have a selection of 100 top quality, one-way tickets to the West Indies. We have returned passengers from the West Indies and will be happy to give advice and arrange travel.

CLUBS

EVE has captured the hearts of a host of fans and will be open for supper from 10.30 p.m. onwards. Reservations are essential. Telephone 01-921 5441 or 01-921 5442.

BIDS AND DEALS MINING NEWS

Two E & A directors oppose Rosediamond

THE independent directors of property group Estates and Agency Holdings yesterday backed their rejection of a bid from Rosediamond Holdings with details of a property revaluation and a forecast of higher profits and dividend.

Their letter coincided with the issue by Rosediamond of its formal offer document which places as total value of £7.2m on E. and A. First closing date of the offer is October 18.

Rosediamond, a privately-owned property investment group, first announced its £20m cash share offer on September 10. It revealed it had acquired 14.7m shares taking its holding to 34.5m or 37.5 per cent of the E. and A. equity.

Two directors of E. and A., Mr J. G. Bixley and Mr G. Leigh, who are opposed to the Rosediamond bid, said a recent independent valuation of principal properties of the company indicated net tangible assets per ordinary share of 177p, before allowing for contingent tax liabilities.

Zambian copper group falls sharply in value

BY GEORGE MILLING-STANLEY

THE MERGER in March this year of Zambia's two big state-controlled copper producers has thrown up one or two problems.

The latest accounts of Zambia Copper Investments (ZCI) suggest that there has been a sharp fall in the value of the merged group, Zambia Consolidated Copper Mines (ZCCM). ZCI, which supported the merger at the time, holds a stake of 27.3 per cent.

The results of ZCI for the year ending June 30 are marred by extraordinary deficits totalling US\$10m (£3.6m), almost all of which is accounted for by a write-down of 50 per cent of the carrying value of ZCI's interest in the copper group.

The stake in ZCCM, the second biggest copper producer in the world after Chile's CODESA, had a market value on June 30 of just \$21m, against a carrying value in ZCI's books of \$201.6m.

ZCI decided on the write-down after consideration of the "very serious economic difficulties at present facing Zambia in general and ZCCM in particular."

Braby urges rejection of Anglo-Nordic offer

Braby Leslie, the mechanical and civil engineering group, urged its shareholders to reject the bid made for their company last Friday by Anglo Nordic Holdings, the industrial holding company.

Anglo is making a share offer valuing Braby at 75p per share - worth £7.4m - with an alternative cash offer of 65p. Braby shares closed 2p lower at 67p last night while Anglo, which trades on the Unlisted Securities Market, was unchanged at 42p.

Mr L. W. H. Rea, chairman of the West London engineering group, said Braby's board was unanimous in finding no industrial logic to the bid. "We think the bid is ill-considered, with the cash price too low and the share offer extremely hazardous," said Mr Rea.

Referring to earlier contacts between the two companies which accompanied purchases of Braby shares by an associate company of Anglo - the associate, CHI Securities holds 27.4 per cent - Mr Rea said he had stated several times his objections to the idea of a bid.

Mr Rea added that Braby, which is being advised by Lazarus, would now set about organising a strong defence against the bid. He said Braby was in a good cash position and anticipated being able to make favourable profit forecasts. Full details would be sent to shareholders when the offer document had been seen from Anglo.

Price rise boost for Wankie

THANKS to the coal and coke price increases of between 17 per cent and 28 per cent, which took effect on December 21st, last, Zimbabwe's Wankie Colliery has enjoyed a sharp recovery in profits in the six months to August 31. The interim dividend, however, is unchanged at 3 cents (2.3p).

This big Anglo American Corporation group colliery, which must be one of the few mining operations in Zimbabwe to be making a profit, slightly increased its sales in the last half-year.

Net profits have expanded to Z\$1.06m (£1.48m) compared with only Z\$87,000 in the same period of 1981 and an improvement to Z\$340,000 in the second half of that year.

Wankie points out that there has been no improvement in the situation regarding the serious deterioration in its coke ovens but so far coke deliveries to customers have been unaffected.

In the last annual report, Sir Keith Acutt said that in order to maintain coke supplies to customers a repair programme, as opposed to complete rebuilding of the ovens, was to be carried out while the cokeworks continued in operation. Any shortfall in supplies during this period was to be made good by drawing upon stockpiles.

Dove gets 65% of Amal. Tin

THE OFFER by Dove Holdings of 12p cash per share for Amalgamated Tin Mines of Nigeria (Holdings) has now closed. Acceptances by Amalgamated Tin holders amounted to 33.82 per cent which, together with the shares already owned by Dove, brings the latter's holding to 65.07 per cent.

Dove is a privately-owned Jersey-registered investment company and wishes to maintain the listing of Amalgamated Tin shares. It is intended that Amalgamated Tin should continue as an investment company with focus on UK investments in the service industries and, in particular, the financial sector.

But Dove has also said that this will not preclude investment in other fields and other countries. It is also proposed that Amalgamated Tin should raise additional cash resources by way of a rights issue.

Amalgamated Tin was one of the world's biggest tin producers, operating in Nigeria. Following the implementation of the Nigerian Enterprises Promotion Act, the ownership of the Nigerian tin mining assets fell to 40 per cent and the policy of the board has been to return to shareholders the cash proceeds of the disposal of shares in the Nigerian company.

FAIRDALE SUSPENDED

The shares of Fairdale Textiles, the London-based clothing manufacturer and cloth merchant, were temporarily suspended at the company's request yesterday pending an announcement.

The suspension price of 16p puts a market value of £633,300 on the company, which in July announced pre-tax profits more than halved to £86,000 in the year ended January 30. Turnover rose 3 per cent to £7.37m.

MOSSPRAY/NU-SWIFT

The share offer made by Mosspray for Nu-Swift Industries has been accepted in respect of 6,798,350 shares, representing 33.8 per cent of the issued share capital. The acceptances include 2,951,000 shares (14.75 per cent) held before the offer period by a company controlled by Mr Brian McGillivray, one of the directors of Holdem.

Acceptances to the cash offer have been received in respect of 1,280,249 ordinary shares. The share and cash offers have been extended until October 1.

An associate of September Purchasing bought 850,000 Nu-Swift ordinary on September 24 at 40p, raising its holding to 1,233m (2.625 per cent) of the issued ordinary share capital.

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Nov. Last	Vol.	Feb. Last	Vol.	May Last	Stock
GOLD O	8580	8	75	-	-	-	\$414.50
GOLD C	3578	15	55	-	35	88	"
GOLD O	8400	17	34	3	58	8	"
GOLD C	8400	17	34	3	58	8	"
GOLD O	8400	17	34	3	58	8	"
GOLD C	8400	17	34	3	58	8	"
GOLD O	8400	17	34	3	58	8	"
GOLD C	8400	17	34	3	58	8	"
GOLD O	8400	17	34	3	58	8	"
GOLD C	8400	17	34	3	58	8	"

BASE LENDING RATES

A.B.N. Bank	10 1/2%	Grindlays Bank	10 1/2%
Allied Irish Bank	10 1/2%	Guinness Bank	10 1/2%
Amro Bank	10 1/2%	Hamilton Bank	10 1/2%
Bank of Africa	10 1/2%	Hargrave Sec. Ltd.	10 1/2%
Bank of Australia	10 1/2%	Heritable & Gen. Trust	10 1/2%
Bank of Canada	10 1/2%	Hill-Sammal	10 1/2%
Bank of China	10 1/2%	Hoare & Co.	10 1/2%
Bank of Ceylon	10 1/2%	Keenleyside & Co.	10 1/2%
Bank of India	10 1/2%	Kingsnorth Trust Ltd.	10 1/2%
Bank of Ireland	10 1/2%	Knolly & Co. Ltd.	10 1/2%
Bank of Japan	10 1/2%	Lloyds Bank	10 1/2%
Bank of Korea	10 1/2%	Malimball Limited	10 1/2%
Bank of Malaya	10 1/2%	Edward Mason & Co.	10 1/2%
Bank of Mexico	10 1/2%	Midland Bank	10 1/2%
Bank of New Zealand	10 1/2%	Samuel Montagu	10 1/2%
Bank of Oman	10 1/2%	Morgan Grenfell	10 1/2%
Bank of Persia	10 1/2%	National Westminster	10 1/2%
Bank of Portugal	10 1/2%	Norwich General Trust	10 1/2%
Bank of Rangoon	10 1/2%	P. S. Refson & Co.	10 1/2%
Bank of Saudi Arabia	10 1/2%	Roxburgh Guarantees	10 1/2%
Bank of Singapore	10 1/2%	Stavensburg Bank	10 1/2%
Bank of Siam	10 1/2%	Standard Chartered	10 1/2%
Bank of Sumatra	10 1/2%	Trade Dev. Bank	10 1/2%
Bank of Swaziland	10 1/2%	Trustee Savings Bank	10 1/2%
Bank of Tanganyika	10 1/2%	TCB	10 1/2%
Bank of Thailand	10 1/2%	United Bank of Rwanda	10 1/2%
Bank of Tonga	10 1/2%	Volkswagen Int'l. Ltd.	10 1/2%
Bank of Trinidad	10 1/2%	Whiteaway Ltd.	10 1/2%
Bank of Zambia	10 1/2%	Williams & Glyn's	10 1/2%
Bank of Zanzibar	10 1/2%	Winttrust Sec. Ltd.	10 1/2%
Bank of Zimbabwe	10 1/2%	Yorkshire Bank	10 1/2%
Bank of Guyana	10 1/2%	Members of the Accepting Houses	10 1/2%
Bank of Lesotho	10 1/2%	7-day deposits 7.25% - 1 month 7.50% - Short-term 8.00%/12-month 8.50%	10 1/2%
Bank of Malawi	10 1/2%	2-4% deposits on sums of: under £10,000 7.5% - £10,000 to £50,000 8.0% - £50,000 and over 8.5%	10 1/2%
Bank of Mauritius	10 1/2%	Call deposits £1,000 and over 7.5% - 7-day deposits over £1,000 8.5% - Demand deposits 7.5%	10 1/2%
Bank of Mozambique	10 1/2%	Members of the Accepting Houses	10 1/2%
Bank of Namibia	10 1/2%	Effective from close of business 31 August 1982.	10 1/2%
Bank of Nigeria	10 1/2%		10 1/2%
Bank of Papua New Guinea	10 1/2%		10 1/2%
Bank of Rwanda	10 1/2%		10 1/2%
Bank of St. Helena	10 1/2%		10 1/2%
Bank of Swaziland	10 1/2%		10 1/2%
Bank of Tanzania	10 1/2%		10 1/2%
Bank of Uganda	10 1/2%		10 1/2%
Bank of Zambia	10 1/2%		10 1/2%
Bank of Zimbabwe	10 1/2%		10 1/2%

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LONDON TRADED OPTIONS

September 27 Total Contracts 1,050 Calls 688 Puts 362

Option	Expiry	Closing price	Vol.	Closing offer	Vol.	Equity Close
BP 10/1	280	15	1	28	40	284p
BP 10/2	200	6	1	16	26	"
BP 10/3	100	1	1	8	13	"
BP 10/4	500	20	18	24	14	"
GU 10/1	180	5	2	11	16	180p
GU 10/2	100	2	1	6	8	"
Cons. Gld 10/1	420	22	8	45	94	419p
Cons. Gld 10/2	480	9	6	27	67	"
Cons. Gld 10/3	480	5	5	25	28	"
Cons. Gld 10/4	480	45	5	50	60	"
Citib. 10/1	70	10	1	12	15	76p
Citib. 10/2	50	1	1	11	11	"
Citib. 10/3	80	16	1	17	20	"
GECC 10/1	110	20	1	17	21	212p
GECC 10/2	1200	60	44	110	150	"
GECC 10/3	1100	6	6	28	10	24
GECC 10/4	1100	6	6	28	10	24
Gr'd Met. 10/1	214	71	2	78	80	285p
Gr'd Met. 10/2	220	65	10	80	83	"
Gr'd Met. 10/3	290	12	22	23	23	"
Gr'd Met. 10/4	290	12	22	23	23	"
Gr'd Met. 10/5	290	4	15	11	11	"
Gr'd Met. 10/6	290	4	15	11	11	"
ICI 10/1	300	10	1	20	20	399p
ICI 10/2	320	2	1	10	14	"
ICI 10/3	280	1	4	6	6	"
ICI 10/4	200	11	4	10	14	"
ICI 10/5	200	11	4	10	14	"
ICI 10/6	200	11	4	10	14	"
ICI 10/7	200	11	4	10	14	"
ICI 10/8	200	11	4	10	14	"
ICI 10/9	200	11	4	10	14	"
ICI 10/10	200	11	4	10	14	"
ICI 10/11	200	11	4	10	14	"
ICI 10/12	200	11	4	10	14	"
ICI 10/13	200	11	4	10	14	"
ICI 10/14	200	11	4	10	14	"
ICI 10/15	200	11	4	10	14	"
ICI 10/16	200	11	4	10	14	"
ICI 10/17	200	11	4	10	14	"
ICI 10/18	200	11	4	10	14	"
ICI 10/19	200	11	4	10	14	"
ICI 10/20	200	11	4	10	14	"
ICI 10/21	200	11	4	10	14	"
ICI 10/22	200	11	4	10	14	"
ICI 10/23	200	11	4	10	14	"
ICI 10/24	200	11	4	10	14	"
ICI 10/25	200	11	4	10	14	"
ICI 10/26	200	11	4	10	14	"
ICI 10/27	200	11	4	10	14	"
ICI 10/28	200	11	4	10	14	"
ICI 10/29	200	11	4	10	14	"
ICI 10/30	200	11	4	10	14	"
ICI 10/31	200	11	4	10	14	"
ICI 10/32	200	11	4	10	14	"
ICI 10/33	200	11	4	10	14	"
ICI 10/34	200	11	4	10	14	"
ICI 10/35	200	11	4	10	14	"
ICI 10/36	200	11	4	10	14	"
ICI 10/37	200	11	4	10	14	"
ICI 10/38	200	11	4	10	14	"
ICI 10/39	200	11	4	10	14	"
ICI 10/40	200	11	4	10	14	"
ICI 10/41	200	11	4	10	14	"
ICI 10/42	200	11	4	10	14	"
ICI 10/43	200	11	4	10	14	"
ICI 10/44	200	11	4	10	14	"
ICI 10/45	200	11	4	10	14	"
ICI 10/46	200	11	4	10	14	"
ICI 10/47	200	11	4	10	14	"
ICI 10/48	200	11	4	10	14	"
ICI 10/49	200	11	4	10	14	"
ICI 10/50	200	11	4	10	14	"
ICI 10/51	200	11	4	10	14	"
ICI 10/52	200	11	4	10	14	"
ICI 10/53	200	11	4	10	14	"
ICI 10/54	200	11	4	10	14	"
ICI 10/55	200	11	4	10	14	"

كشافة لاجل

Companies and Markets **INTL. COMPANIES & FINANCE**

Dunlop Olympic earnings show 35% advance

By MICHAEL THOMPSON MOEL IN SYDNEY

DUNLOP OLYMPIC, one of Australia's largest manufacturing groups, scored a 35.3 per cent improvement in net profit in the year to June 30, from A\$30.4m to a record A\$53.3m (U.S.\$51.2m). The result was aided by the inclusion for the first time of Olex Cables as a wholly owned subsidiary which contributed A\$15.5m in net profit.

Previously, Dunlop Olympic had owned 50 per cent of Olex, and its profits contribution to the parent last year was A\$6.2m. The acquisition of the additional shares cost the group A\$56m in 1981-82.

The annual dividend is being raised from 8 cents a share to 9 cents, with a final of 5 cents per share. Earnings per share

were 20.8 cents, against 20.2 cents previously.

Sales and profit margins in the company's footwear, clothing, textiles, and rubber and general products divisions were all higher, though the sporting goods side had been hit.

Turnover rose by 17.2 per cent, to A\$1.3bn. Interest payments rose from A\$12.48m to A\$19.1m, because of an increase of A\$51m in borrowings during the year to finance acquisitions.

Caltech Australia, one of the country's major oil refiners and marketers, has reported a loss for the first half ended June of A\$5.4m despite a 27 per cent rise in sales to A\$908m.

The company, which is a subsidiary of Caltech of the U.S.

and which took an Australian stock market listing last year, said: "There has been sustained severe discounting in the Australian market with a consequential loss of revenues. Low prices span the spectrum of all products. The company has lost some market share in the two key products — petrol and distillate — in an effort to improve profit margins by seeking to sell at prices more in keeping with those approved by the respective pricing authorities."

At its annual meeting in April, Caltech said it was expecting to improve on the A\$21m net profit it reported in 1981 which was down sharply from the A\$22m of a year earlier.

Profits fall at MPH despite leap in turnover

By Wong Sulong in Kuala Lumpur

Disappointing results have been reported by multi-Purpose Holdings (MPH), the Malaysian Chinese conglomerate. Group pre-tax profits for the six months to June fell by 10 per cent to 7.4m ringgit (\$2.1m). Turnover rose from 17m ringgit to 19.4m ringgit reflecting acquisitions made during the year, including Guthrie Trading and Dunlop Malaysian Estates.

The downturn in earnings is largely attributed to depressed commodity prices and difficult trading conditions.

Net attributable profits for the group, after tax, minority interests, and extraordinary items, were 2.55m ringgit compared with 12.52m ringgit previously. Extraordinary gains came to 1.85m ringgit in 1981-82 compared with 10.46m ringgit last year.

No dividend has been declared. MPH directors said in their last annual report that the group was conserving its resources "for organic growth."

Earlier the AASE had argued that negotiated rates would mean that large institutions dictated to broking firms the rates they were prepared to pay. However, it has been observed that the vast majority of share transactions in Australia involve orders below A\$50,000 (US\$48,000).

Report on Australian share fees

By OUR SYDNEY CORRESPONDENT

MOVES to liberalise the Australian stockbroking industry gathered pace yesterday with the publication of final recommendations by the Trade Practices Commission. However, it may be three years before Australia's de-regulated brokerage rates.

Yesterday, after hearing the views of the smaller stock exchanges in Adelaide, Perth, Brisbane and Hobart, the TPC recommended that brokerage rates above A\$100,000 (U.S.\$95,000) be de-regulated

by April, 1984 and that rates below that threshold be de-regulated by October, 1985.

The commission has also recommended a phasing-in period of 18 months, instead of 12, for the abolition of barriers to entry to the stockbroking industry.

Mr Ian Roach, chairman of the Australian Associated Stock Exchanges, criticised the TPC's recommendations. "The AASE," he said, "is disappointed at the apparent un-

willingness or inability of the TPC to accept the arguments of its constituent stock exchanges on questions associated with the impact of unregulated rates."

Earlier the AASE had argued that negotiated rates would mean that large institutions dictated to broking firms the rates they were prepared to pay. However, it has been observed that the vast majority of share transactions in Australia involve orders below A\$50,000 (US\$48,000).

Tan Chong to improve after mid-way drop

By Our Kuala Lumpur Correspondent

TAN CHONG Motors, the distributor of Datsun cars in Malaysia and Singapore, has reported a 33 per cent drop in pre-tax profits to 23.2m ringgit (U.S.\$3.5m) for the half year ended June, but said trading conditions were improving.

Net profits were down by 28 per cent to 13.8m ringgit, but the interim dividend is maintained at five cents a share.

Sales figures showed a 14 per cent decline in the Malaysian market to 234m ringgit, reflecting the deepening recession in the country, and although sales in Singapore rose by 36 per cent, combined sales were still down four per cent to 328m ringgit.

The first half of the current year has shown a big improvement over the second half of 1981, when pre-tax profits fell to only 13m ringgit. Tan Chong says that full year results should not be less than those of 1981, when a pre-tax profit totalled 47m ringgit.

Pre-tax profits of 372 major Japanese companies listed on the Tokyo Stock Exchange are now forecast to fall by an average 24.2 per cent from the preceding six months, compared with a 15.7 per cent fall predicted last June, the affiliate of Nomura Securities said.

It revised upwards, however, its corporate sales forecast to a 1.2 per cent decline from a 1.5 per cent fall predicted in June.

Tin market depression hits DKH

By Our Kuala Lumpur Correspondent

DATUK KERAMAT Holdings (DKH) the Malaysian tin smelting group, has suffered a collapse in profits because of depressed conditions in the tin market, and predicts difficult times ahead.

For the six months to July, group operating profits fell by 47 per cent to 4.19m ringgit (U.S.\$1.8m) on turnover up by 8 per cent to 433m ringgit.

Net profits were 56 per cent lower at 1.9m ringgit, and the interim dividend is being cut from 40 cents to 20 cents.

Earnings for the full year are expected to be substantially lower than the 7.5m ringgit of 1981-82, which had already dropped sharply from the 17.4m ringgit for the year to January 1981.

DKH is a subsidiary of the West German metal and commodity trading group, Preussag.

Downturn for Pan-Electric Industries

By Our Financial Staff

PAN-ELECTRIC Industries, the Singapore-based electronics and marine services group, has suffered an 84 per cent fall in group pre-tax profits for the six months ended June to \$81.2m (US\$ 60,000).

The setback was attributed to a "substantial reduction in salvage revenue coupled with the increased costs in operating the salvage fleet."

Group operating profits were almost halved to \$87.1m from \$813.7m a year earlier.

For all of last year, group pre-tax profits rose 48 per cent to \$813.62m, with marine services such as salvage, ship building and repairing, towage and charter services providing the bulk of the profits.

The group is also active in real estate, aviation services, airfreighting, electrical contracting and kitchen systems.

Yamaichi establishes new investment advice arm

By RICHARD C. HANSON IN TOKYO

YAMAICHI Securities, one of Japan's big four stockbrokers, will concentrate its investment consultant services for overseas institutional investors in a new subsidiary, Yamaichi International Capital Management Company which was established yesterday in Tokyo.

The new subsidiary, owned 70 per cent by the research arm of the Yamaichi group, will consolidate the operations of a New York-based subsidiary, involved since 1981 in advising U.S. institutional investors, and the parent company's investment advisory department in Tokyo.

Yamaichi plans to bring under one roof its advisory service for U.S. clients and those elsewhere in the world, mainly the Middle East. The two functions had been separated because of legal requirements in the U.S. Yamaichi's strongest point, out-

side of the home market, will be in advising on Southeast Asian markets.

Nomura Research Institute has revised downwards its Japanese corporate profit forecast for the six months ending September following the yen's depreciation, a fall in exports, and slow recovery in domestic demand. Reuter reports from Tokyo.

Pre-tax profits of 372 major Japanese companies listed on the Tokyo Stock Exchange are now forecast to fall by an average 24.2 per cent from the preceding six months, compared with a 15.7 per cent fall predicted last June, the affiliate of Nomura Securities said.

It revised upwards, however, its corporate sales forecast to a 1.2 per cent decline from a 1.5 per cent fall predicted in June.

First-half setback at Hanil Bank

By ANN CHARTERS IN SEOUL

HANIL BANK, Korea's third largest commercial bank in terms of total assets, had lower than expected profits in the first half ended June because of a sharp drop in government-controlled interest rates. Net income was US\$6.8m but the second-half profit should be better if the Government takes expected measures to improve the commercial banks' situation. Full-year earnings would still, however, be lower than 1981's \$30m.

Pre-tax income for the first six months was \$14.4m compared to \$48m for all of 1981. Total assets at the end of June were up slightly in won terms over the end-1981 figure, due to increases in acceptances and guarantees. But in dollar terms

assets fell to \$8.4bn from \$8.6bn. Hanil Bank has been in the private sector since last year when the Government sold its equity share. One of the principal owners is the Daelin group whose leading company, Daelin Industrial, has been active for many years in Middle East construction. Another major shareholder is Kukli Securities which belongs to the Hyundai group.

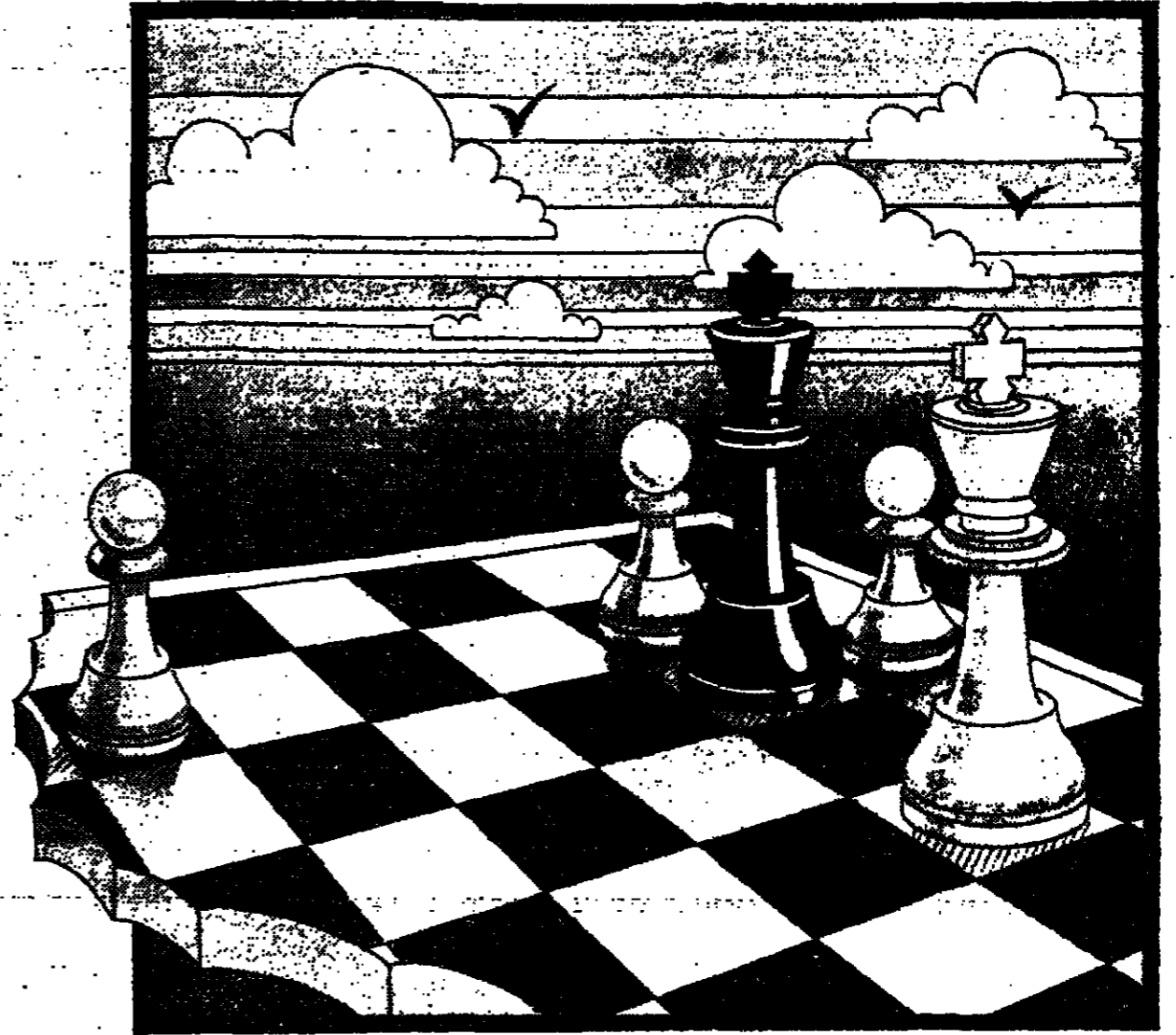
The Korean Government's sale of its 23.9 per cent equity stake in the Korean First Bank has been completed after a second round of bidding. Gold Star Company, a member of the Lucky Group, obtained 5 per cent of the bank's equity and Incheon Iron and Steel Company, a member of the Hyundai

Group, also bought 5 per cent.

The Daewoo Group emerged with the largest portion of the bank's share at 13.85 per cent, although Daewoo companies did not participate in the second bidding. Kim Woo-Choon, chairman of the Daewoo Group, purchased 4.87 per cent in the first round for his own account.

The Daehan Kyoyuk Life Insurance Company still has its stake of 9.57 per cent and not having participated in either round of bidding. The Hyundai Group, with the stake acquired by Incheon Steel, now holds 7.24 per cent. The Korea First Bank is the country's fourth largest commercial bank in terms of assets which totalled \$8.1bn at end-June.

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July, 1982



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A FINANCIAL TIMES SURVEY

European Railways and Equipment

4 November 1982

The Financial Times is proposing to publish a Survey on European Railways and Equipment in its issue of November 4, 1982. The provisional editorial synopsis is set out below. INTRODUCTION Railways in Europe have had to cope with the effects of the recession in passenger and freight business. In spite of the problems, however, governments in a number of countries have ambitious investment projects for their rail systems. The equipment makers are anxious to see these projects going ahead, both to boost order books and to provide them with a shop window in the highly competitive international market in rail equipment.

Editorial coverage will also include:

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The size, contents and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

How the power of Islam is exercised

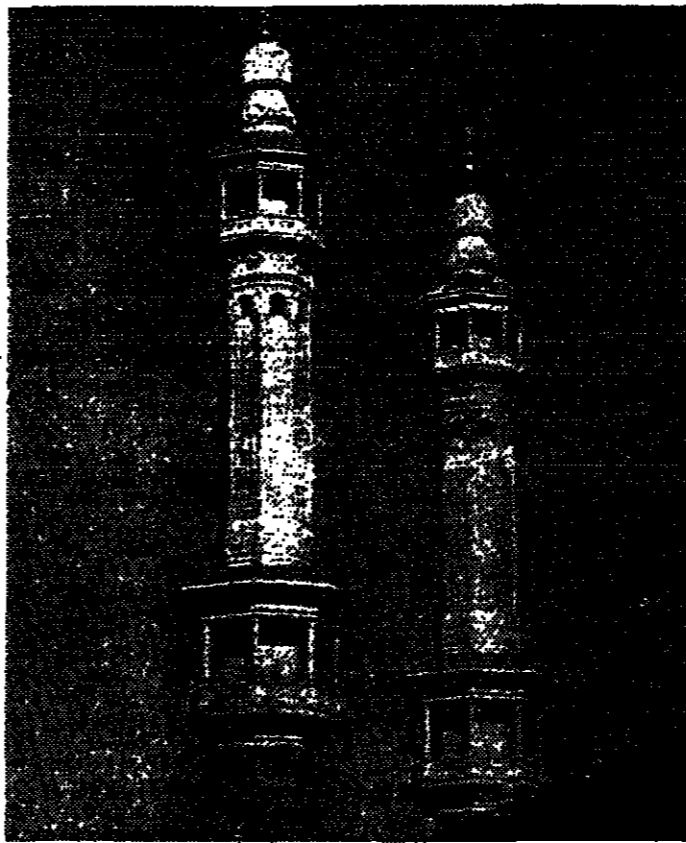
By Michael Field

Saudi Arabia under Fahd



This is the last of a series of articles on key aspects of Saudi Arabian society

The previous five appeared on August 12, September 9, 10, 17 and 21.



A MAJOR Saudi importer of Japanese cars recently brought a suit against a small merchant who was shipping bogus Japanese car parts from Taiwan and selling them as the real thing. The company had the support of the Ministry of Commerce and was able to produce much evidence which seemed to prove conclusively that the defendant knew perfectly well that his parts were inferior imitations. The small merchant, however, maintained passionately that he had imported the parts in good faith, and he won the sympathy of the court.

The judge took the side of the traditional trader in his battle with the western-managed Saudi corporate giant; he chose to disregard the carefully prepared evidence of the corporation (much to the chagrin of its executives) and said that if the merchant would swear on the Holy Koran that he thought the parts were genuine, judgment would be given in his favour. It is now some months since the judge made his statement and the merchant has still not sworn. All parties in the dispute are drawing the appropriate conclusions.

All aspects of Saudi life revolve around Islamic principles. Sometimes this is made obvious to Westerners. The title page of the Third Plan and the text pattern on the television contain the phrase Bismillah ar-Rahman ar-Rahim (In the name of God the Merciful the Compassionate); operating instruction number 7 in the lifts of the Royal Commission for Jubail and Yanbu reads: "Do not use the lift if fire should break out in the building, which God forbid."

Much more often the influence of Islam remains out of sight, until such people as the executives of the Japanese car importer suddenly discover that faith is more important to the people with whom they are dealing than solid technical evidence.

In this society it goes without saying that the leaders of the religious establishment are extremely powerful. The Saudi state was first established by Muhammad bin Saud, a tribal leader, and Muhammad bin Abdel-Wahab, an austere revivalist teacher, in the mid-18th century, for the purpose of propagating the pure Muslim creed. The descendants of these men still run the Kingdom today. The successors of Muhammad

bin Saud are the members of the royal family and the successors of the teacher (the shaikh) are the Al as-Shaikh (the family of the shaikh).

The Al as-Shaikh hold several ministerial posts, are closely linked to the royal family by marriage in every generation, and used to provide the Grand Mufti, the leader of the Saudi clergy. It follows from the original bond between Muhammad bin Saud and Muhammad bin Abdel-Wahab that the religious establishment as a whole is a partner with the Al Saud in the Wahabi state.

In Sunni Islam there is no official ordained religious hierarchy endowed with spiritual authority; the leaders of the establishment should be those most fitted to lead — those whom the people look to for leadership.

In practice, in Saudi Arabia the religious leadership is constructed along more formal lines. A teenager who decides that he wants a religious career begins by going to a Shariah college (the Shariah being the holy law, based on the Koran

and the sayings of the Prophet Muhammad — the Hadith).

When the student graduates he chooses either to become a teacher or a lawyer. These are the two professions into which, broadly speaking, the well educated members of the religious establishment are divided.

There are also imams and muezzins, who, respectively, lead the prayers in the mosques and call the people to prayer from the minarets — but neither of these professions requires the learning of teachers and lawyers.

Those graduates of the Shariah colleges who decide to teach are sent to schools and universities; the lawyers go to the Higher Institute for the Qada (the judiciary) in Riyadh to obtain a formal legal training. Once they have been awarded their MAS or PhDs by the Higher Institute the lawyers go to work for qadis (judges), and after a time they are appointed junior qadis themselves. These appointments, and promotions to the more senior ranks of the qada are made by the Ministry of Justice, headed by Ibrahim bin Muhammad bin Ibrahim Al as-Shaikh. A distinguished teacher or

qadi may come to be accepted as an 'ulim. This is not in any sense an official post or a title; an 'ulim is simply a man who is regarded as a leader of the community by virtue of his knowledge of the Koran and the Hadith, his first class command of Arabic which enables him to understand the holy books, and the contribution he has made to religious learning.

An 'ulim is a highly respected person. The great preachers are regarded as 'ulim — though most of the sermons (khatibs) in Saudi Arabia on Fridays are given by well educated teachers or qadis.

At the very top of the Saudi religious establishment (which is referred to collectively as the ulema, after the plural of 'ulim) there used to be a Grand Mufti, Shaikh Muhammad bin Ibrahim Al as-Shaikh. However, when Shaikh Muhammad died in 1969 King Faisal decided that he did not want to have only one man as leader of the ulema. This was mainly because he did not want to appoint to the post the widely respected Shaikh Abdel-Aziz bin Baz, who had recently issued a ruling that the earth was flat. The place of the Grand Mufti

has therefore been taken, informally, by the Higher Council of the Qada which is not to be confused with the Higher Institute.

The Council, headed by Shaikh Abdullah Humaid, acts as a Supreme Court, it supervises the ordinary Shariah courts beneath it.

There is a widespread feeling in Saudi Arabia at present that the leaders of the religious establishment — especially those ulema of the Nejd who are closest to the Government — are backward-looking.

It is often said that the Islamic University at Medina produces graduates who are versed in nothing but the Koran and Hadith, whereas good Muslims should have a sound knowledge of science in keeping with their culture's contribution to scientific advancement in the days of the Abbasid Caliphate.

There is much justice in these criticisms. The ulema once objected to the wearing of black shoes on the grounds that the traditional colours for Muslim footwear were red and yellow. Recently they have accused Dr Ghazi Aligosalbi, the Minister of Industry, of advocating the mixing of men and women who are not related to each other, and have devoted great energies to a debate over whether Saudi Arabia should celebrate the birthday of the Prophet. (They say it should not.)

The ulema are attacked by both liberals and those associated with the movement for an "Islamic revival," who together account for a large proportion of the Saudi middle classes. These people say that the ulema should be addressing themselves to the great issues of the day — corruption, the role of women who are not allowed to work or drive cars — political freedom and the right of Muslims to participate in the running of their countries. They add that there is no reason why these subjects should not be dealt with in the Friday sermons.

The views of the critics may represent excellent Muslim theory, and they may have the sympathy of some of the livelier ulema of the Hijaz and possibly the Nejd, but they do not have the slightest chance of finding a response among the senior Nejd ulema who dominate the official establishment. The Saud family and the ulema, being partners in the

state, conduct a continual dialogue. The Saudis are concerned mainly with secular matters; have tended to argue in favour of change; the ulema have resisted. Occasionally the pious have had serious confrontations. Most conspicuously ulema quarrelled with King Faisal (1964-75) over the introduction of the wireless, television and girls' education. Two monarchs were both devout and deeply learned religious matters and were determined to win their arguments.

What is significant from point of view of the Saudi middle class critics is that ulema and the Saudis have disagreed over the issues the critics think are important.

Since the accession of King Khalid in 1975 there has been harmony in the relations of Saudis and the ulema. King Khalid met the leading ulema on Monday evening, a practice which King Fahd will presumably continue. Khalid devout, conservative, seemed naturally to side with the ulema on most issues.

King Fahd lacks the reputation for piety which would be necessary, if he were to assure of success in a debate with the ulema.

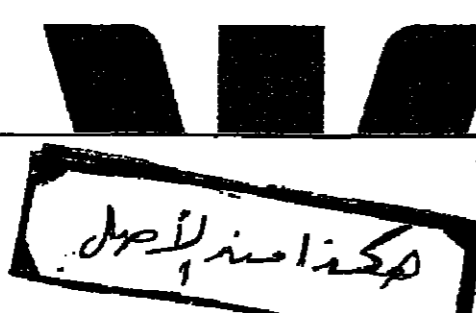
He will certainly do all he can to avoid quarrels with the ulema — though it is conceivable that at some point in his reign he may have a confrontation over the role of women in the Kingdom.

Family was reminded of highly conservative views many of its subjects in provinces by the Mecca area of 1979, and it fears that it were to try to institute reforms the ulema would resist the people against it.

King Fahd will give the ulema on small matters gently to persuade them support him on the important issues. This was the technique which King Faisal adopted during most of his reign. Am the minor concessions that old King made to the ulema a ban on the sale of Christmas trees.

In his Eid al-Fitr speech July 23 at the end of Ramadan King Fahd explained Islam was the fount of all policies, and then added a tough and secular sound appeal for support: "that you believe in God and Muslim leaders and ulema duty bound to back us up."

Who takes a major step forward in international banking on Friday?



New Issue These Bonds having been sold, this announcement appears as a matter of record only. September 1982



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(City Council of the Municipality of Johannesburg)

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DC BANK

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DSL

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Vereins- und Westbank Aktiengesellschaft

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Westdeutsche Landesbank Girozentrale

Westfälische Bank Aktiengesellschaft

Deutscher Witter Reynolds Overseas Ltd.

Württembergische Kommunale Landesbank Girozentrale

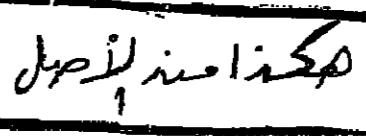
GAS OIL

MARKETS

LONDON

San Metal Marke

SERIES



Traders to stockpile rubber

RUBBER TRADERS in Malaysia have agreed to hold back 30 per cent of their normal monthly purchases from next month for stockpiling.

The Association of Natural Rubber Producers Countries agreed last May to cut supply of rubber over a six-month period by 500,000 tonnes to help support low world prices.

A FREE RANGE EGG was legally defined for the first time at Sturminster Newton in Dorset from a hen with regular daytime access to land from which it obtained a significant proportion of its food from the natural sources provided by the land.

WILD BATS in the UK are from today protected under the Wildlife and Countryside Act 1981 and the Nature Conservation Council must be consulted before any action is taken which might harm or exclude them from their roosts, except in the living area of a house.

ALCAN ALUMINIUM'S West German subsidiary is to close its aluminium plant at Ludwigshafen because electricity prices at the plant have made production uncompetitive.

HONG KONG Commodity Exchange trading volume in the first eight months of this year rose 150 per cent to 720,160 lots from 303,818 lots in the same period in 1981.

JAPANESE rice harvest this year is expected to reach 10.78m tonnes, against 10.26m tonnes last year and a 26-year low of 9.75m tonnes in 1980.

WEST GERMAN offers of grain for intervention up to September 24 were 1.20m tonnes, 35 per cent more than the 897,800 tonnes offered at the same time last year.

Base metals ease as gold falls

By Our Commodities Staff

BASE METALS on the London exchange eased yesterday as gold fell \$13.5 to close at \$412.5 per troy ounce. The only exception to this general trend was lead, which on reports of a \$125 fall in stocks gained \$1.25 per tonne on the day.

Other stock figures from the LME showed a rising trend with copper up 1,800 tonnes to 141,400, zinc up 3,700 tonnes to 79,800 and aluminium up 4,175 tonnes to 219,175.

Tin stocks fell by 1,595 tonnes to 36,130 but the combination of this and some reported buying by the International Tin Council's buffer stock manager was not enough to prevent a fall on the day of \$13.

The continuing weakness of copper prices, which fell back \$12.50 yesterday, was underlined by the decision of Noranda mines to cut its producer price to 67 cents per lb, effective immediately.

Reuters adds that the International Tin Council (ITC), which meets today, seems likely this week to set export quotas for fourth quarter 1982 at 23,200 tonnes, unchanged from the third quarter.

The ITC will probably also decide to avoid the bunching of exports at the beginning of each quarter. This could be done by producing members issuing export certificates one month at a time.

Malaysian officials have already announced plans to spread tin exports more evenly. Australia and Thailand have said that they will seek higher export quota allocations but this is likely to meet with resistance from other producers.

The ITC buffer stock manager may suggest a 40 per cent cut for the fourth quarter but this is unlikely to be acceptable either to producers or consumers.

Latest ITC estimates indicate accumulated world tin oversupply during the last three years has risen to 75,000 tonnes. The buffer stock manager held 49,825 tonnes of this amount at the end of June, following purchases on the LME and in Penang.

Estimates by the Bureau of Agricultural Economics in Canberra point to a fall in the real net value of Australian farm production in the current year or at least 30 per cent to around \$83.43bn (\$1.93bn) and they have not been revised upwards because of the rain.

The National Farmers Federation, in Canberra, said the rains seemed to have broken the dry-weather pattern of the past few months—though the cost in terms of reduced crops and slaughtered livestock would be considerable.

However, at Cootamundra, in southern NSW, the Department of Agriculture said 78,000 hectares of wheat had received between 10 mm and 40 mm of rain. Though yields would be well below average, the crops would now be worth harvesting.

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Cocoa prices steady

By Our Commodities Staff

WORLD cocoa prices steadied yesterday with gains over the weekend of \$8 per tonne for December. Lower sterling rates against the dollar and uncertainty as to the outcome of this week's International Cocoa Organisation (ICCO) council meeting were the main factors affecting the market.

The ICCO meeting is resuming discussions adjourned in July on how best to use a \$76m loan from Brazil to reduce surpluses and boost prices. A possible increase in the organisation's sales levy from 2 to 3 c per pound and to the range of trigger prices used for the buffer stock scheme are also on the agenda.

According to cocoa traders Gill and Duffus, in their latest market report, the surplus in the coming year, 1982/83, will be only 20,000 to 30,000 tonnes, the smallest since 1978/79. It has been this expectation that has been behind the upward trend in prices since mid-August.

A surplus of this size could prove far more easily manageable for the ICCO than that accumulated over the past two years, and it is expected by Gill and Duffus that the organisation's buffer stock will be in the market in the new season with sufficient cocoa to buy a quantity of cocoa greater than the surplus projected.

Small-scale private farming has existed in Hungary for several decades, but its impact on the economy and particularly on exports is only now being fully appreciated. It epitomises the government's current concern to promote small businesses and it is growing every day.

Many of Hungary's co-operative farms have realised that they too can benefit, and more and more of their non-specialist work is being performed privately. The co-operatives themselves are now devoting more time and investment to new agricultural industries, especially meat processing.

In 1950 there were 38,000 household farms in Hungary; there are now almost 1m, producing an estimated third of the country's total agricultural output (in price terms) on only 13 per cent of the land. Although the total agricultural land area of Hungary dropped by 180,000 hectares in 1981 from 1980, gardens used for agriculture flourished, up over the same period from 152,000 to 343,000 hectares and being worked by more than 5m people or 50 per cent of the population.

There are three basic types of small private farm: the sort the law says co-operative must give to each of its current member workers, that which is given to a part worker as a remuneration, and, thirdly, the garden plots of Hungarians whose main job has nothing to do with agriculture.

Some 60 per cent of small-scale farmers are claimed to be pensioners or people without any other job. But there are also juicy pickings for the non-pensioner, and, as in other areas of the economy, the authorities with their very particular recipe for liberalised Communism are only too happy that agriculture should thrive as a secondary source of income.

At the root of it all lie pigs. Ever since 1977 when 50,000 sows were transferred to private smallholders by co-operatives in an effort to boost efficiency, the labour-intensive work of feeding and breeding has been done in the back garden at home; the housewife or pensioner then sells the pigs to the co-operative to be turned into innumerable varieties of sausage and salami. Geese and rabbits are made into patés and pies in a similar way.

Mrs Istvánné Fudász is a typical example. From her richly furnished house just outside Budapest she looks after 30 pigs for the Benta Valley Co-operative of Erd and Szabolcs, in the corner of her garden is a stack of stale loaves, left-overs from nearby shops, which she uses as pig-feed and sells to other pig-owners in the area. Each month the co-operative pays her 5,000 forints (680), plus a fee for looking after the feedstuff and a commission for selling it, all good money to subsidise her husband's income as a post-office driver.

The important point is that though both co-operative and smallholder rely on each other from Government interference, and it is up to each smallholder how hard they work and, therefore, how much profit they each make.

The meat-processing side of Mr Dávid's co-operative employs 8 per cent of the workforce but provides 50 per cent of the co-op's income. Each year 30,000 pigs are slaughtered, cut up and smoked into 30 different products.

For the domestic smallholder, tending his cows, pigs or chickens after work, the future lies in the increased export of the processed food products which last year represented 25.2 per cent of the total value of Hungary's exports.

New measures taken by central government should encourage this; they include subsidies for the purchase of agricultural machinery, as well as an elaborate scheme enabling smallholders' work to count towards social security benefits.

However, Hungarian farmers and agricultural machinery manufacturers are still beset by two major problems: first, if a company wants to export a product it is obliged to do so through a very few centrally controlled trading companies which are short on marketing skills and unable to tailor promotion campaigns to an individual company's product.

Secondly, Hungary has still to make an impact on Western markets and free itself from a heavy reliance on the Eastern bloc and developing countries who last year bought 70 per cent of its exports.

Hungary's back garden farmers have a bright future, but when they will be able to provide the shelves of Sainsbury's with more than just jars of gherkins, remains to be seen.

Merchants claim record UK harvest

By JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

BRITAIN'S harvest will total a record 21.9m tonnes according to the UK Agricultural Supply Trade Association (UKASTA).

This figure is in line with the Ministry of Agriculture's median forecast issued last week, and represents an increase of 2.2m tonnes on last year's figure. The UKASTA estimate is based on merchants' reports from across the UK.

The barley crop is estimated at 10.85m tonnes, up 6 per cent on last year, wheat up by 1.8m tonnes to 10.55m tonnes. Oats are down to 650,000 tonnes due to the continuing reduction in acreages sown.

The oilseed rape crop area was up by 40 per cent to 173,000 hectares and yields have been good, probably a record, but oil content is slightly down. It is expected that next year's crop area will rise to 230,000 hectares, up 32 per cent on this year.

general trend seems to be a gradually rising production per acre in all community countries.

On exports, Mr Christopher Pertwee, UKASTA's President, was not very hopeful in his comments at yesterday's harvest lunch. Most importing countries are looking for extended credit, up to two years instead of 18/17 months as at present, but banks seem to be reluctant to oblige, he said. This is a serious problem because Community exportable surpluses of grain are likely to total 21m tonnes of grain, 16m tonnes of wheat and 5m tonnes of barley. In addition the Commission seems to be holding back on export restitutions for barley.

UKASTA is asking the EEC to pay an incorporation subsidy to Community wheat and barley which could be priced on the same level as imported cereal substitutes such as tipples and maize gluten.

This suggestion by UKASTA equates with a denaturing premium for wheat which operated previously for a few years and was dropped.

This action by the EEC is possibly for fear of offending the U.S. and other suppliers to the world market, and also the probable cost of such a move. So UKASTA is proposing an alternative outlet for grain surpluses to exporting and intervention.

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HUNGARIAN FARMING

Profits in smallholding

By A CORRESPONDENT

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Many of Hungary's co-operative farms have realised that they too can benefit, and more and more of their non-specialist work is being performed privately. The co-operatives themselves are now devoting more time and investment to new agricultural industries, especially meat processing.

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LONDON OIL

SPOT PRICES

Table with columns for oil types (Arabian Light, Arabian Heavy, etc.) and prices per barrel.

Table with columns for products (Premium gasoline, Gas oil, Heavy fuel oil, etc.) and prices per tonne.

GOLD MARKETS

Gold fell \$15 1/2 an ounce from Friday's close in the London bullion market yesterday to \$412-413. It opened at \$410-411 and traded between a high of \$415-416 and a low of \$405-409.

In Frankfurt the 12 1/2 kilo bar was fixed at DM 33,455 per kilo (\$41.00 per ounce) compared with DM 33,425 (\$40.80) and closed at \$413-414 from \$423-424.

In Paris the 12 1/2 kilo bar was fixed at FRF 94,000 per kilo (\$41.00 per ounce) compared with FRF 93,800 (\$40.80) and closed at \$413-414 from \$423-424.

Table showing gold prices in London and Paris for various months.

Table showing gold prices in New York and other locations.

American Metal Market Forum

INTERNATIONAL TIN PANEL and a DISTINGUISHED LIST OF SPEAKERS. A NEW ERA IN NON-FERROUS METALS.

ART GALLERIES

- List of art galleries including Blond Fine Art, Brown & Darby, Fieldstone Galleries, etc.

GAS OIL FUTURES

Table showing gas oil futures prices for various months.

Table showing gas oil futures prices for various months.

LONDON FUTURES

Table showing London futures prices for various months.

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Table showing London futures prices for various months.

CLASSIFIED ADVERTISEMENT RATES

Table with columns for advertisement types (Commercial & Industrial, Residential Property, etc.) and rates.

BRITISH COMMODITY MARKETS

BASE-METAL PRICES were lower on the London Metal Exchange reflecting the marked weakness in precious metals prices. COPPER dipped to 2222 prior to closing at 2212.

Table showing base metal prices for various metals.

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POTATOES

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PRICE CHANGES

Table showing price changes for various commodities.

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AMERICAN MARKETS

Table showing American market prices for various commodities.

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EUROPEAN MARKETS

Table showing European market prices for various commodities.

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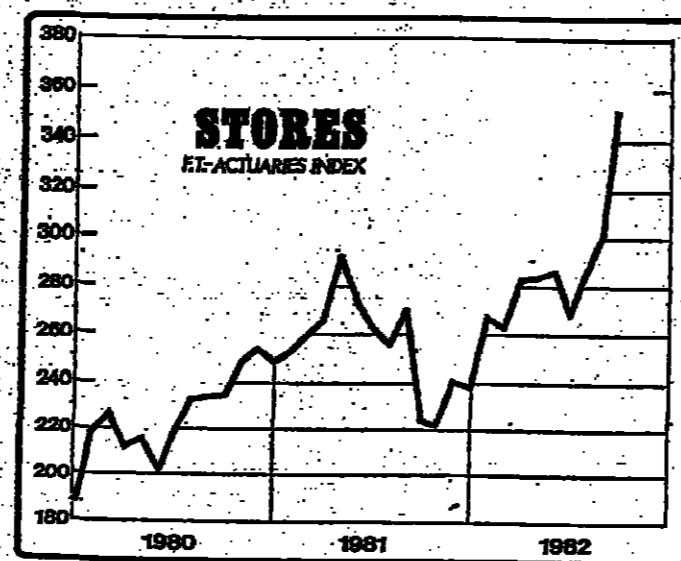
Table showing European market prices for various commodities.

Additional market information and news snippets at the bottom of the page.

LONDON STOCK EXCHANGE

Government stocks resume advance to 5-year peaks Equities recover from cautious start-Hawker weak

Account Dealing Dates: First Declared Last Account Option... Dealings from Dealings Day Sept 8 to Sept 16 Sept 17 to Sept 20 Sept 21 to Oct 1 Oct 2 to Oct 4 Oct 5 to Oct 11 Oct 12 to Oct 18 Oct 19 to Oct 25



380, after 378p. The steep slide in Hong Kong shares weakened Standard Chartered which has substantial interests there, the close being 10 cheaper at 356p. Hong Kong and Shanghai were similarly affected and closed 8 off at 84p. The liquidation of speculative positions prompted a decline of 10 to 160p in recently firm Grindlays while Messageries Finance lost 7 more to 30p on further consideration of the disappointing results.

renewed weakness in Hong Kong shares prompted reactions of 15 and 16 respectively in Jardines Matheson, 148p, and Hutchison Whampoa, 110p, while China Light declined 7 at 124p and Wheelock Marden "A" dipped 5 to 39p. Parker-Knoll "A" gave up 5 to 145p following the lower profits. Hawker continued to lead dry-cleaning issues higher, following last week's advance of 35 with a fresh rise of 8 at 330p; initial put on 10 to 306p and Johnson Cleaners rose 6 to 25p as did firm 4 to 40p on press comment and Chubb hardened 2 to 109p, after 110p, on revived bid hopes. The leaders plotted an irregular course in this trading: Glaxo rose 6 to 25p as did Beecham, to 345p, but Pilkington were friendless at 170p, down 10. Nimble International remained on offer in the wake of the interim report and shed 16 more to 130p.

RECENT ISSUES

Table of recent issues with columns for Issue No., Issue Price, Amount of Issue, and Stock Name. Includes issues like Anglo-Indonesian, Anglo-Indonesian, Anglo-Indonesian, etc.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for Issue No., Issue Price, Amount of Issue, and Stock Name. Includes issues like Anglo-Indonesian, Anglo-Indonesian, Anglo-Indonesian, etc.

"RIGHTS" OFFERS

Table of rights offers with columns for Issue No., Issue Price, Amount of Issue, and Stock Name. Includes issues like Anglo-Indonesian, Anglo-Indonesian, Anglo-Indonesian, etc.

Table titled 'FINANCIAL TIMES STOCK INDICES' showing various indices like Government Secs, Fixed Int., Industrial Ord., etc. with columns for Sept 27, Sept 24, Sept 25, Sept 22, Sept 21, Sept 20, and year ago.

Quotations in London, 28th Sept. 1982. Government securities: 10m 57 7/8, 11m 57 3/4, 12m 57 1/2, 15m 57 1/8, 20m 57 1/8, 25m 57 1/8, 30m 57 1/8, 35m 57 1/8, 40m 57 1/8, 45m 57 1/8, 50m 57 1/8, 55m 57 1/8, 60m 57 1/8, 65m 57 1/8, 70m 57 1/8, 75m 57 1/8, 80m 57 1/8, 85m 57 1/8, 90m 57 1/8, 95m 57 1/8, 100m 57 1/8.

Options: Quiet conditions persisted in the oil market and quotations rarely strayed far from slightly lower opening levels. British Petroleum closed a couple of pence cheaper at 286p, but Ultramar, still benefiting from a bullish oil market, advanced 2 1/2 to 453p. Elsewhere, Chubb were noteworthy for a fall of 4 to 109p.

Table titled 'FRIDAY'S ACTIVE STOCKS' showing active stocks with columns for Stock Name, Price, and Change. Includes stocks like Anglo-Indonesian, Anglo-Indonesian, Anglo-Indonesian, etc.

Table titled 'ACTIVE STOCKS' showing active stocks with columns for Stock Name, Price, and Change. Includes stocks like Anglo-Indonesian, Anglo-Indonesian, Anglo-Indonesian, etc.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT-Actuaries Share Indices for Mon Sept 27 1982, showing various equity groups and sub-sections with columns for Index No., Index, and Index %.

NEW HIGHS AND LOWS FOR 1982

NEW HIGHS (102)

Table of new highs and lows for 1982, listing various companies and their share prices.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound sterling in currencies on September 27 1982. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are to be observed in so-called market rates have been calculated from those of foreign currencies to which they are tied.

Large table showing the world value of the pound, listing various countries and their exchange rates with the pound sterling.

FIXED INTEREST

Table of fixed interest rates, showing average gross redemption yields for various terms and dates.

RISES AND FALLS YESTERDAY

Table of rises and falls yesterday, showing price changes for various categories like British Govts, Corporate Bonds, etc.

Dollar at new peaks

The dollar rose to record levels in currency markets yesterday, with demand reflecting the recent political uncertainties in West Germany. The switch into dollars pushed it to its best level since August last year against the D-mark and Swiss franc and a five-year high against the Japanese yen.

from DM 4.2950 and Ffr 12.17 against Ffr 12.1175. It was slightly weaker against the Swiss franc at Sfr 3.6928 from Sfr 3.6950.

STERLING - Trade weighted index 91.9 against 91.9 at noon and the opening and 91.8 on Friday (90.9 six months ago). Three-month Treasury bills 7.35 per cent (13.36 per cent six months ago). Annual inflation 8.0 per cent (8.7 per cent previous month).

JAPANESE YEN - Trade weighted index 127.9 against 128.0 on Friday and 133.7 six months ago. Three-month Treasury bills 7.21875 per cent (6.53125 per cent six months ago). Annual inflation 1.7 per cent (2.3 per cent previous month).

Table: THE POUND SPOT AND FORWARD. Columns: Day's spread, Class, One month, Three months, Six months. Rows: U.S., Canada, Belgium, Denmark, W. Ger., Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, Switzerland.

Table: THE DOLLAR SPOT AND FORWARD. Columns: Day's spread, Class, One month, Three months, Six months. Rows: UK, Ireland, Canada, Netherlands, Belgium, Denmark, W. Ger., Portugal, Spain, Italy, Norway, Sweden, Japan, Austria, Switzerland.

Table: CURRENCY MOVEMENTS. Columns: Bank of Morgan, Enlarged Quotations, Changes. Rows: Sterling, U.S. dollar, Canadian dollar, Australian dollar, etc.

Table: CURRENCY RATES. Columns: Bank, Special Drawing Rights, Note Rates. Rows: Sterling, U.S. dollar, Canadian dollar, etc.

Table: OTHER CURRENCIES. Columns: Bank, Note Rates. Rows: Argentina, Australia, Brazil, Finland, etc.

Table: EXCHANGE CROSS RATES. Columns: Pound Sterling, U.S. Dollar, Deutschmark, Japanese Yen, etc.

Table: FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 27). Columns: 3 month U.S. dollars, 6 month U.S. dollars.

Table: EURO-CURRENCY INTEREST RATES (Market closing rates). Columns: Sterling, U.S. Dollar, Canadian Dollar, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table: EMS EUROPEAN CURRENCY UNIT RATES. Columns: Currency, % change from central rate, % change from previous month, Divergence limit.

EXCHANGE CROSS RATES

Table: EXCHANGE CROSS RATES. Columns: Pound Sterling, U.S. Dollar, Deutschmark, Japanese Yen, etc.

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 27)

Table: FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 27). Columns: 3 month U.S. dollars, 6 month U.S. dollars.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table: EURO-CURRENCY INTEREST RATES (Market closing rates). Columns: Sterling, U.S. Dollar, Canadian Dollar, etc.

MONEY MARKETS

UK clearing bank has lending rate 10 1/2 per cent (since August 30 and 31). Another cut in clearing bank base rates may come a step nearer following the action of the Bank of England in the London money market yesterday.

EUROCURRENCIES \$ rates steady

Eurodollar interest rates were steady in quiet trading. Rates moved up about 1/8 per cent in the morning, but returned to Friday's closing levels in the afternoon. Eurosterling rates fell by about 1/8 per cent following the cut in Bank of England money market dealing rates.

LONDON MONEY RATES

Table: LONDON MONEY RATES. Columns: Overnight, 7 days notice, 14 days notice, 1 month, 3 months, 6 months, 12 months.

MONEY RATES

Table: MONEY RATES. Columns: New York, Prime rate, Fed funds, Treasury bills, etc.

FRANCE

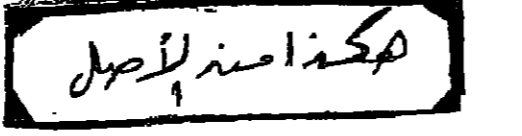
EGCD French Rate Sterling Export Finance. Schemes IV Average Rate for interest period 4 August to 7 September 1982 (inclusive): 11.097 per cent.

GERMANY

EGCD German Rate Sterling Export Finance. Schemes IV Average Rate for interest period 4 August to 7 September 1982 (inclusive): 11.097 per cent.

AUTHORISED TRUSTS

Table: AUTHORIZED TRUSTS. Columns: Trust Name, Manager, Assets, etc. Rows: Abbey Unit Tr. Mgrs., American Growth, British American, etc.



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INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Table listing various insurance companies and their details, including names, addresses, and contact information.

Table listing insurance companies and their details, including names, addresses, and contact information.

Table listing overseas managed funds and their details, including names, addresses, and contact information.

Table listing overseas managed funds and their details, including names, addresses, and contact information.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas managed funds and their details, including names, addresses, and contact information.

NOTES: A section at the bottom right providing additional information and disclaimers regarding the fund listings.

FT SHARE INFORMATION SERVICE

FOOD, GROCERIES—Cont.

That's BTR advertisement with logo and text.

BRITISH FUNDS

Table of British Funds with columns for Stock, Price, and Yield.

Five to Fifteen Years

Table of funds categorized by 5 to 15 year maturity.

Over Fifteen Years

Table of funds categorized by over 15 year maturity.

Undated

Table of undated funds.

Index-Linked & Variable Rate

Table of index-linked and variable rate funds.

INT. BANK AND O'SAES GOVT. STERLING ISSUES

Table of international bank and government sterling issues.

CORPORATION LOANS

Table of corporation loans.

COMMONWEALTH AND AFRICAN LOANS

Table of commonwealth and African loans.

LOANS

Table of general loans.

TRY US FOR FX

Advertisement for FX services with contact information for Riggs London Branch.

LOANS—Continued

Continuation of Loans table.

FOREIGN BONDS & RAILS

Table of foreign bonds and rails.

AMERICANS

Table of American stocks.

CANADIANS

Table of Canadian stocks.

BANKS AND HIRE PURCHASE

Table of banks and hire purchase.

BANKS & H.P.—Cont.

Continuation of Banks & H.P. table.

BEERS, WINES AND SPIRITS

Table of beer, wine, and spirit companies.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of building, timber, and road companies.

ELECTRICALS

Table of electrical companies.

CHEMICALS, PLASTICS—Cont.

Continuation of Chemicals, Plastics table.

DRAPERY AND STORES

Table of drapery and stores companies.

ELECTRICALS—Continued.

Continuation of Electricals table.

ELECTRICALS—Continued.

Continuation of Electricals table.

ENGINEERING MACHINE TOOLS

Table of engineering and machine tools companies.

HOTELS AND CATERERS

Table of hotels and caterers companies.

INDUSTRIALS (Miscel.)

Table of miscellaneous industrial companies.

Table of food and grocery companies.

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INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

OIL AND GAS—Continued

Nomura International Limited logo and contact information.

Table of Industrial stocks including companies like British Petroleum, Shell, and ICI.

Table of Leisure stocks including companies like British Airways and British Telecom.

Table of Property and Investment Trusts stocks including various real estate and investment funds.

Table of Oil and Gas stocks including companies like BP Energy and Shell Energy.

Table of Overseas Traders and Mines stocks including companies like Anglo-Indonesian and Anglo-Thai.

MINES—Continued

Table of Mines stocks including Central African, Australian, and Tins.

NOTES

Notes section containing various financial notices and company announcements.

REGIONAL AND IRISH STOCKS

Table of Regional and Irish Stocks listing various regional companies.

OPTIONS

Table of Options listing various call and put options.

INSURANCES

Table of Insurance stocks including companies like British American Insurance.

PAPER, PRINTING ADVERTISING

Table of Paper, Printing, and Advertising stocks.

PROPERTY

Table of Property stocks including various real estate companies.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, and Land stocks.

TEAS

Table of Teas stocks including various tea companies.

LEISURE

Table of Leisure stocks (repeated).

PROPERTY

Table of Property stocks (repeated).

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, and Land stocks (repeated).

OIL AND GAS

Table of Oil and Gas stocks (repeated).

DIAMOND AND PLATINUM

Table of Diamond and Platinum stocks.



Yugoslavia asks BIS for \$500m credit

By Peter Montgomerie in Basle

YUGOSLAVIA HAS asked leading Western Central banks for a credit of \$500m (£285m) to be provided through the Bank for International Settlements.

The request came yesterday as central bankers, at their regular monthly BIS meeting, agreed in principle a further \$300m stand-by credit for Hungary.

No immediate decision was taken on the Yugoslav request. Yugoslavia would like a three-year credit. Previous central bank credits to comparably indebted countries, such as Hungary and Mexico, normally have not exceeded one year.

Yugoslavia's total foreign debt is estimated at more than \$18bn. It has been trying for months to complete a \$200m, 18-month credit from U.S. and Japanese banks and, although it is already working with the International Monetary Fund, it has an urgent need for new money.

The loan request to the BIS met little initial enthusiasm. Central banks of the group seem unlikely to grant a three-year credit, which would require political commitment, to support the Yugoslav economy from Western governments and their central banks.

The Hungarian credit, agreed in principle, is intended to serve as additional bridging finance till a loan from the IMF becomes available. Agreement with the IMF on an economic stabilisation package is drawing closer and could be completed next month, central bankers said yesterday.

Hungary has already received credits from the BIS and from Western central banks of \$510m this year. The credits were granted after more than \$1bn of foreign currency deposits were withdrawn from the Hungarian central bank during the first quarter of the year, as Western confidence in Comecon creditors almost evaporated in the wake of the Polish debt crisis.

Since then, Hungary has been slowly working its way back to financial health. It arranged a \$280m credit from leading international banks this summer and, more recently, a small \$30m, two-year credit facility through a small group of banks led by Banco Arabe-Espanol.

The BIS, known as the central bankers' central bank, is emerging as an important lender to countries in financial difficulties. In August it arranged a \$925m credit for Mexico at the height of that country's payments crisis. The amount was matched by a further \$225m from the U.S. and Mexico has drawn very little of this credit so far. Drawings on the loan are tied to progress in its negotiation for a \$4.5bn credit facility from the IMF, agreement on which is taking longer than originally expected.

Argentina is also looking for financial assistance from Western central banks, bankers reported last night. They declined to disclose the amount sought but said it was more than the \$500m loan requested by Yugoslavia.

The money would be bridging finance before any Argentine agreement with the IMF on its SDR 1.2bn (\$766m) credit request, but the request to the central banks was not being talked-point at the BIS meeting here yesterday.

Continued from Page 1

Shares fall

taken by its leadership's desertion of Herr Schmidt's Social Democrats, in the Left-Centre coalition, on September 17. There was still uncertainty yesterday over the plans of the Christian Democrats' sister party in Bavaria, the Christian Social Union, which has been dropping strong hints that the Free Democrats might not be worth the wooing.

Herr Franz Josef Strauss, the Christian Social Union leader, called his party executive yesterday to a meeting in Munich which went on for so long that planned talks between the Christian Democrats, Christian Social Unionists, and Free Democrats.

GAS, ELECTRICITY, WATER STRIKES LIKELY

Health unions plan to widen action

BY JOHN LLOYD, LABOUR EDITOR, IN BLACKPOOL

MR ALBERT SPANSWICK, general secretary of the Confederation of Health Service Employees and chairman of the TUC health services committee, said yesterday that the health unions were likely to propose a series of public utility stoppages at their meeting today with Mr Len Murray, the TUC general secretary.

Mr Spanswick, speaking after addressing the Labour Party conference in Blackpool on the health dispute, said that the meeting would also consider further "days of action" like that mounted last week, which was deemed a success by the unions.

He said: "We are asking unions in the health service with non-health service members to see how far they can go."

The stoppages could include gas, electricity and water supply. Mr Spanswick said that such stoppages were likely if the Government did not improve its present offer of 6 per cent to ancillary workers and 7.5 per cent to nurses.

However, union leaders involved—who include the general secretaries or their deputies of the Transport and General Workers' Union, the Amalgamated Union of Engineering Workers, the General and Municipal Workers' Union, the Electrical and Plumbing Trades Union, the National and Local Government Officers' Association, and the Prison Officers' Association, among others—will be anxious to assure themselves that any action agreed by them can be carried through by the membership.

The first regional stoppage in the health service will take place next Monday on Merseyside, a traditionally militant area, to coincide with the opening of the Conservative Party conference.

Mr Spanswick defended his recent talks with Mr Norman Fowler, the Social Services Secretary, over the Government's pay offer which were criticised by the health services committee because they were kept secret from other members.

Mr Spanswick said he would take part in further talks if the Government had a new offer to make, but that his colleagues would be kept informed. He admitted that there had been discussion within the TUC of broadening control of the dispute by involving non-health union leaders in its conduct—but said the health services committee would remain in charge at present.

He said that enthusiasm for broader action was growing among union members and warned the professional health associations, which continue talks with Mr Fowler, that they should reject any offer which did not increase the funds available this year.

No headway in nurses' pay talks, Page 9

Labour conference debate, Page 10

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No headway in nurses' pay talks, Page 9

Labour conference debate, Page 10

General Motors releases details of Spanish-assembled S car

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS yesterday unveiled details of its S car, the vehicle which the Transport and General Workers' Union is planning to black if it is imported into the UK. The car is the smallest GM has produced, but the most expensive to develop.

The Spanish-assembled car is to be called the Opel Corsa on the Continent but is as yet without a name for the British market, where it will be sold under the Vauxhall marque. It comes as a three-door hatchback or a two-door boot version with a choice of three engines: 1 litre, 1.2 litres or 1.3 litres.

It takes GM into a sector of the market which accounts for one quarter of West European new car sales—but has a much higher share in Spain, Italy and France, where the Corsa will be launched first. Northern Europe will have to wait until next spring.

The Corsa will compete with models such as Ford's Fiesta, the Renault R5, Fiat's 127 and its Type One, due early next year, the Volkswagen Polo and BL's Metro.

GM reckons 40,000 will be sold in West Germany next year, and if the unions do not decide to ban the vehicle, 20,000 in the UK, rising to 30,000 in 1984.

GM's British subsidiary, Vauxhall, was yesterday still awaiting formal notification of the union's decision about the ban and will study the full text before considering its next move.

In all, GM expects to sell about 197,000 Corsas throughout Western Europe next year, giving it 7.6 per cent of the expected small car market.

GM claim to have spent \$2.4bn (£1.4bn) since 1978 on the S car project, together with a major expansion of its component facilities in Europe.

Among the major investments was a new assembly plant at Zaragoza in Spain, un-

officially estimated to have cost Pts 100bn (£518m).

GM claims this is the most highly-automated plant in Europe with 140 true robots and a capacity of 270,000 cars a year. About 9,500 people will be employed at Zaragoza and a further 1,500 jobs have been created by GM's three new component plants in Spain, at Cadix and Logrono, which between them are estimated to have cost Pts 15bn-20bn (£7m-103m).

The other major project involved two plants, side by side near Vienna, Austria, to make engines and transmissions. The cost was estimated locally at Schs 7.8bn (£257.5m).

The Corsa was designed and engineered by GM's German subsidiary Opel, which also designed the Spanish assembly plant. As a result, German equipment makers gained the lion's share of the contracts and supplied machinery worth DM 1bn (£235m).

Feature, Page 22

Cost of buying British, Page 8

offer to make, but that his colleagues would be kept informed. He admitted that there had been discussion within the TUC of broadening control of the dispute by involving non-health union leaders in its conduct—but said the health services committee would remain in charge at present.

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No headway in nurses' pay talks, Page 9

Labour conference debate, Page 10

American VW head resigns

By Richard Lambert in New York

The chief executive of Volkswagen of America resigned unexpectedly yesterday following a sharp decline in the company's U.S. sales.

Volkswagen said it had accepted "with regret" the resignation of Mr James McLernon as president and chief executive, but refused to elaborate on the reasons for his departure.

Mr McLernon joined Volkswagen in 1976 after 27 years with General Motors, and led it through the successful start-up of manufacturing in the U.S., which began in 1972.

However, the company is heavily dependent on one model, the Rabbit—based on the VW Golf—and its sales have plunged this year as U.S. buyers have placed less emphasis on fuel-efficient models and switched to cheaper imports.

So far in 1982 sales of the Rabbit are 44 per cent down on a year before at just over 66,000 cars. Within that total, sales of the diesel-engined model have dropped by nearly 60 per cent to 28,000.

VW has deferred indefinitely plans to bring in a second assembly plant near Detroit after insisting they cost \$150m (£77m) in the project. Both Ford and Chrysler have expressed some interest in the new plant, but no sale has been concluded. VW has also delayed the opening of a parts plant in Canada.

Some 1,800 of the company's 10,000 U.S. employees are laid off, and the manufacturing plant has been closed for a total of 26 weeks so far this year in order to keep stock levels down.

Weather

UK TODAY

RAIN, heavy at times, with gale force winds in places.

London, SE England, E Anglia Cloudy, occasional rain later. Max 17C (63F).

NE Scotland, Orkney and Shetland Showers. Brighter later, followed by more rain. Windy. Max 13C (55F).

Rest of UK Heavy rain spreading from South. Chilly, showery later. Windy. Max 16C (61F).

Outlook: Showers, becoming mostly dry in South.

WORLDWIDE

Table with columns for location, Y'day, Y'day midday, Y'day evening, and temperature in C and F. Locations include Alajco, Algiers, Amst, Athens, Bahrain, Barcelona, Beirut, Berlin, Bilbao, Birmingham, Blackpool, Bristol, Brussels, Budapest, Cairo, Cardiff, Casablanca, Cape Town, Cologne, Conyngh, Corfu, Darnley, Dublin, Dvbrnk, Faro, Florence, Frankfurt, Geneva, Gibraltar, Glasgow, Harbin, Helsinki, Hong Kong, Innsbruck, Istanbul, Jaipur, London, Lima, Lisbon, London, Lyons, Madrid, Manila, Mexico City, Miami, Milan, Montreal, Moscow, Murcia, Nagasaki, Nanking, New York, Niiza, Osaka, Ottawa, Paris, Perth, Prague, Rome, San Francisco, Santiago, Sao Paulo, Seoul, Singapore, Stockholm, Sydney, Taipei, Tel Aviv, Toronto, Tokyo, Vancouver, Vienna, Zurich.

International Energy Agency in secret probe into gas supplies

BY RAY DAFTER, ENERGY EDITOR

THE International Energy Agency is conducting an urgent and secret study into the security of gas supplies to its 21 member countries.

There is concern among some energy officials that a number of countries, particularly in Europe, could become as vulnerable to disruption in gas supplies as they have been to upheavals in the oil market.

The prime mover behind the study is the Reagan Administration, which is particularly concerned about the prospect of increasing Soviet gas exports to Western Europe following completion of the major pipeline being built from Siberia. This is still the centre of considerable international dispute.

While the study will range throughout the developed world, it will almost certainly concentrate on the European importers of Soviet gas, such as West Germany, France and Italy.

The study could lead to IEA precautions being urged to take precautionary measures such as:

- Increasing gas storage—perhaps on the lines of the current compulsory oil stocks, which are geared to net import levels;
- Implementing or, as in the case of the UK, continuing interruptible contracts so that suppliers can quickly suspend deliveries to some large customers in the event of supply problems;
- Increasing reserve production capacity, either in the form of partly-exploited natural gas fields or by building substitute natural gas plants based on the conversion of coal or oil.

The results of the study, due to be completed early next year, will not be published, but the recommendations are likely to be similar to those recently formulated by energy experts within the European Commission.

Studies in Brussels have shown that gas imports by the European Community could account for about 50 per cent of consumption by the early 1990s. In the early 1970s the EEC needed hardly any imported gas but imports now account for something less than 30 per cent of consumption.

A report to be considered by the Council of Ministers in November suggests seven measures: the encouragement of natural gas exploration within the Community; diversification of imported supplies; encouragement of substitute natural gas research and development; use of interruptible contracts; construction of adequate storage; spare production capacity and a flexible natural gas transportation grid within the Community. Government assessed, Page 6

Major coal find in N. Ireland

BY RAY DAFTER

EXTENSIVE low-grade coal deposits have been discovered in Northern Ireland.

Burnett and Hallamshire, a Sheffield-based open-cast mining, oil and property group, said yesterday it had proved the existence of at least 100m tonnes of lignite at Crumlin, on the eastern shores of Loch Neagh. It hoped to begin strip-mining the "brown coal" next year.

Initial capital investment in the project is likely to be at least £10m, Mr George Helsby, chairman and chief executive, said. Discussions have started with potential buyers including the Northern Ireland Electricity Service.

"We are interested in using lignite for power generation. It could be an interesting supplement to our fuel supplies although it could not make us independent from other sources of energy," the electricity utility said last night.

About 80 per cent of Northern Ireland's generating capacity is fuelled by imported oil, though the Electricity Service also uses between 500,000 and 600,000 tonnes a year of hard steam coal, bought mainly from the National Coal Board and shipped from Britain. Overall, with the exception of peat, Northern Ireland is almost wholly dependent on outside supplies of energy sources.

The Northern Ireland Department of Economic Development said consultants were providing expert advice on possible uses for the lignite to "ensure this resource is developed to the optimum benefit of the community."

Burnett and Hallamshire is applying for planning permission and mining leases on the two square miles of rural land containing the lignite deposits.

Gas price agreement

Continued from Page 1

Algeria in much higher capital costs. In the Italian case the gas will flow directly via a \$3bn (£1.76bn) pipeline, which will eventually be 1,500 miles long.

The 1977 agreement with Italy provided for the supply of 4bn cubic metres of gas in 1983, rising to 12bn by 1986, at a price at the Algerian border of \$3.50 per million BTUs. However, when the pipeline was ready to carry the first gas in autumn, 1980, Algeria asked for \$5.50.

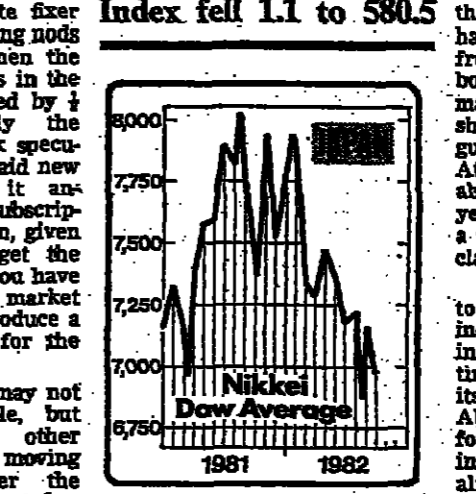
The difference over price was subsequently narrowed and negotiations were taken over by the Governments from their respective energy agencies. Snam is understood to believe that a price of about \$4 is the highest possible economic price for the gas.

The conclusion of an agreement with Algeria may make it easier for Italy to finalise an agreement with the Soviet Union for the supply of gas via the new Siberian pipeline. Snam signed a technical agreement with its Soviet counterpart in January this year to take 8bn cubic metres of gas from 1985 at a price of \$4.75.

THE LEX COLUMN

Return of the magnificent 1/8

Index fell 1.1 to 580.5



Those who see the Bank of England as an inveterate fixer must have been exchanging nods and winks yesterday when the official intervention rates in the bill market were reduced by 1 point. Quite obviously the Bank was trying to suck speculators into the scantily-paid new gilt-edged stock that it announced on Friday for subscription tomorrow. And then, given the time it takes to get the clearing banks moving, you have to start dropping money market rates now in order to produce a base rate cut in time for the Tory party conference.

These considerations may not be altogether negligible, but there are plenty of other reasons to get back moving downwards again after the cautious pause of the past few weeks. The U.S. monetary picture looks reasonable, and the fragility of the U.S. banking system makes the sort of unpredictable tightening of Federal Reserve policy which has aborted previous attempts to lower rates in London that much less likely. Below \$1.70, sterling nevertheless remains very firm indeed on a trade-weighted basis (even if that does to some extent reflect the politically wobbly D-mark).

Far East markets

It was never quiet clear what the Hong Kong stock market expected from Mrs Thatcher's visit to China but, whatever it was, she failed to provide it. The Hang Seng Index, giving its first verdict on the talks, dropped 33.74 points to close yesterday at 1,012.62.

As a daily movement, this rated only about 5 on the Hang Seng Richter Scale and the market is still 8 per cent above the lows reached last month. But the inconclusive nature of the Peking talks, in which the Chinese showed no sign of weakening on the sovereignty issue, has evidently undermined confidence in the property market even further.

Confirmation that Lloyds Bank is experiencing problems with a property client only added to the gloom. Foreigners have earned a reputation for aggressive lending in the property and retail sectors. Many of their clients, particularly those dependent on development earnings, are already highly geared. Against this kind of market background, the fact that Chemung Kong may look cheap on a prospective p/e of about 4 is barely material.

Fosco Minsep

Fosco Minsep's reputation as a company that could ride out recessions has been torn to shreds by the current slump in the U.S. economy. Mainly as a result of the 35 per cent drop

In American steel product this year, pre-tax profits for half year to June have fallen from £11.4m to £9.3m, and board can see no prospects for major improvements. Shares responded to this first gust of gloom from across Atlantic by falling 50p to 1.25, about 19 per cent below year's rights issue price, with a third of shareholders had clairvoyance to resist.

The rights issue was designed to help cash in on the expected increase in world steel demand in the next decade, but, for time being at least, Fosco is itself cutting back. About 30 per cent of its workforce in steel-related activity in the U.S. has been cut already, and the rationalisation continues.

With July and August being even bleaker news from North America, there is hope that Fosco can do more than double up on first profits in the current months, even with the red interest charges arising from the rights issue. To make last year's earnings per share of 16.6p fully taxed, it will have needed to make a 20 per cent profit. The one consolation for shareholders, from the fact that they are backing a comfortably profitable company, is that Fosco is given every sign of intent to maintain its dividend. Yield is 6.9 per cent.

Last week's poor figures suggested that British companies are finding it hard to pick up the marginal volume that they depend on, exporting uphill from strong-currency base. Deteriorating overseas markets. The present threat to emment from this effect argues for a more relaxed attitude to interest rates sterling.

The gilt-edged market has become somewhat uneasy. Further cuts in rates in money supply figures, rather frisky banking, and a turn out to have misbehaved again in the month to September. Whether whether deflationary pressure will be perceived to be enough to justify taking it with the quantity of money the moment the only evidence of velocity is the fast-talking Chancellor, with boasts of inflation at 6 1/2 per cent Christmas. That is roughly points below both long yields and the annualised increase of sterling in the present target period.

INTERIM STATEMENT

Table with columns for Unaudited 6 months to, Audited Year to, and values for Turnover, Profit before Taxation, Taxation, Profit after Taxation, and Earnings per Share.

Oil production from Block 30/24 in the U.K. sector of the North Sea (in which Company has 28.8% interest) was 4.28 million barrels in the first half of 1982 (2.15 million barrels in the same period 1981). Operating profit amounted to £1.6 million, an increase of 31 per cent over the same period last year.

Significant additional reserves in Block 30/24 were confirmed in the first six months of 1982 by: An extended production test of 900,000 barrels from the discovery well on the Durcan structure, four miles west of Argyl. A similar test now in progress on the "B" structure between Durcan and Argyl.

The results of a second well on Durcan. Based on the successful results of wells drilled on Block 43/13a in the Bunter gas area offshore Yorkshire (in which Company has 48% interest), studies are now in hand to formulate a development scheme.

In the United States, gas production started from properties in Texas and Oklahoma in which the Company has small interests. Further gas discoveries in Texas and Louisiana are due to come on-stream later this year. Also, several deep well oil wells are now being drilled in the Gulf of Mexico.

The Hamilton International Joint Venture (in which Company has 10% interest) has acquired rights and is currently conducting seismic work over a large mountain tract in Peru.

Copies of the Interim Statement may be obtained from The Secretary, Cleveland House, 19 St. James's Square, London SW7Y 4LP.

HAMILTON OIL GREAT BRITAIN PLC

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